# ABSTRACT

Name: Tess Reinhard

Department: Counseling, Adult, and Higher Education

Title: A Grounded Theory Investigation of Change Leadership During Turbulent Times

Major: Adult and Higher Education

Degree: Doctor of Education

Approved by:

Date:

Dissertation Director

May 9, 2007

NORTHERN ILLINOIS UNIVERSITY

ABSTRACT

The purpose of this study was to investigate change leadership as it was experienced by incumbent leaders in a multinational, Fortune 100 company. Leaders were faced with an unrelenting and turbulent period of destabilizing conditions in their company, including significant changes in technologies, competition, economic distress, and continued downsizing of the employee population. The turbulence forced the leaders to develop a new mindset about their organization in order to cope with the changes. I was particularly interested in the interpersonal and intrapersonal behaviors of seven upper-echelon leaders during the corporate transformation.

The approach was grounded theory. Data were analyzed for possible themes, and models were built and then juxtaposed with the literature for authenticity. Findings show that the executives experienced a series of stages during the turbulence: denial, determination, disequilibrium, and disengagement. There were specific triggers to each phase of the process: latitude diminished, loyalty to key principles in the organization were removed, and continuity and stability of the organization were compromised. New terms and definitions for change leadership are offered (e.g., latitude, loyalty, continuity).

The study is important for two reasons. First, it adds to the qualitative research on change leadership theory by introducing new models and definitions not considered

in the current body of literature. Second, corporate transformations and large-scale change initiatives continue to be a requirement for survival for many companies undergoing significant and traumatic change, and yet the transformative results have been difficult to achieve. This study assists change agents who are helping organizations through the implementation of large-scale change initiatives by providing an analytical model that details specific triggers of engagement that are critical for success.

NORTHERN ILLINOIS UNIVERSITY

# A GROUNDED THEORY INVESTIGATION OF CHANGE LEADERSHIP DURING TURBULENT TIMES

A DISSERTATION SUBMITTED TO THE GRADUATE SCHOOL

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS

FOR THE DEGREE

DOCTOR OF EDUCATION

DEPARTMENT OF COUNSELING, ADULT, AND HIGHER EDUCATION

BY

TESS REINHARD



DEKALB, ILLINOIS

MAY 2007

Certification:

In accordance with departmental and Graduate School policies, this dissertation is accepted in partial fulfillment of degree requirements.

Paul Mulry

Dissertation Director

May 9, 2007

Date

## ACKNOWLEDGEMENTS

Although this project was very enriching, it was not an easy task. Many people aided me in the course of this work and I am immensely indebted to them.

To begin I would like to thank the faculty of the Department of Counseling, Adult, and Higher Education, especially the late Dr. John Niemi, for his mentorship and encouragement. Second, Dr. Paul Ilsley, who upon John's passing, took the baton and supported me through the process. Paul has a unique ability to expect rigor and discipline from his students, while at the same time encouraging them. My committee members (Drs. Laurel Jeris, Gene Roth, and Wei Zheng) offered invaluable assistance. I am grateful for their constant enthusiasm and constructive supervision.

Financial resources constitute a crucial element in conducting doctoral research. For this reason, I thank the organizations, represented by managers to whom I reported, that provided partial support during my course of study. Alejandro Reyes encouraged my interest in change management and mentored me during my classroom work. Maria Sullivan encouraged me to finish. I still hear her words, "It is not part of your DNA to quit a job you've already started. You can do this."

My friends played crucial roles in this study. My friend, Terry Fink, provided enormous help as a trusted confidante. Malcolm Fraser coached me through the process, provided guidance at a critical juncture, and continued to offer insightful suggestions until the end. My dear cousin, Agnes Conway, a true scholar in her own right, edited the manuscript, provided pertinent suggestions, and referred me to resources about methodology. Susan Gervasi, Mary Kennedy, and Chris Waldo tracked my progress and kept my spirits up through job changes, residence changes, and lifestyle changes. And Christina Kamer, my NIU colleague, laughed and lamented with me throughout the doctoral process.

My participants deserve a special thank you. Unfortunately, they cannot be named here, because they were promised anonymity. This study could never have been completed if not for their candor, insight, and willingness to open up their hearts and minds to my topic.

My heart is full of gratitude to my family: My loving sisters, Mary Brennan, Rita Berens, and Pat Brennan reminded me, as only sisters can, that unless one writes and researches about one's passion, the words will ring hollow. My mother, Anastasia Brennan, wholeheartedly encouraged me and believed in my academic pursuit. Her tenacious approach to difficult tasks helped me stay with the project until it was complete. My father, with his quiet, contemplative nature, also served as an inspiration to reach the finish line. Finally, I would like to acknowledge the encouragement and unfailing support of my three children, Bill Reinhard, Andy Reinhard, and Katy Cappell, as well as their wonderful spouses, Courtney Reinhard, Kim Reinhard, and Steve Cappell, respectively. I owe my deepest gratitude to them for supporting me even as they passed through major milestones in their own lives. They demonstrated patience and faith that this journey would one day come to a successful close.

## DEDICATION

This work is dedicated to my wonderful mother, Anastasia Brennan,

a very special person who wholeheartedly supported, encouraged

and believed in my academic pursuit

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF APPENDICES

# PREFACE

In preparation for the writing of this dissertation and to situate myself in the study, I read my personal journals and diaries written throughout my career. These readings helped me realize that I have been a student of leadership and culture change for at least 20 years, starting with my early years in public education and continuing into my work in corporate America. I also recognize that it is only because of my unique experiences and exposures throughout my career that the leaders in this study trusted me and provided me insight into the interpersonal and intrapersonal interactions which occurred. They knew I had likely experienced many of the same changes. Although I started my career in education, this preface focuses only on my career progression and exposures during my corporate life from the beginning, I held progressively complex roles. I started as a manager of a literacy program which was designed to build a basic skills school for manufacturing personnel. The workforce at the time could not compete due to the inability to read new computer specifications, work in problem-solving teams, or interpret spreadsheets. The challenge was to help 1,500 factory workers from three divisions and three shifts pass a basic battery of literacy tests. I was provided nine classrooms but no textbooks, curriculum, or instructors. The curriculum and delivery methodology was to be designed from the ground up. Designing included developing workplace literacy materials, instituting a computer lab, hiring my own instructors, and accelerating the learning of the students as much as possible.

Our initial efforts were stellar. Many early achievers passed the test, but then the pass rate slowed down as we began working with the less English-proficient population.

Because the company believed in data-driven decisions, we decided to analyze how we could accelerate the learning of the remaining students. I was asked to lead a problem-solving team using the management tools from the quality movement, so widespread in corporate America at the time. This assignment involved developing a team from cross-functional departments that could contribute toward solving the problem. We used statistical process control methods to pilot different methodologies and won the problem-solving competition that showcased the best problem-solving teams worldwide in the company.

It was my early induction into corporate life. I developed an appreciation for the rigor and discipline required for proposals. I also recognized that worldwide teams were just as talented and competitive as any of the US teams and hungry to be on an equal footing within the company.

My leadership in this first team provided me opportunities to lead other teams to propose ways to do things with faster productivity, at lower costs, while at the same time retaining high quality. I quickly found myself comfortable using all the cliché-type language that was such a part of the company—words used to describe quality and performance measurement—words like zero defects, systems thinking, response time, product development half-time, bottlenecks, alignment, and participatory management processes. Other people-focused words were common as well: decrease turnover, retain talent, increase employee satisfaction, and mobilize the troops. Organizational goals included things like reduce cycle time, manage the competitive landscape, increase market share, and continue customer focus.

In those early days, I was the Manager of Professional Development, and I sourced, developed, or delivered programs in topical areas such as motivation theory, quality improvement, supply chain management, leadership development, and management effectiveness skills. Even then, I recognized that these programs were only effective as reminders for proper behavior of leaders. To really change the behavior and perspective of leaders, many other components of the leaders' lives also had to be changed, including how they were compensated, how their jobs were scoped, and how they were provided with appropriate resources.

My next role was to develop a strategy and process to combine decentralized divisions to work together to determine a worldwide delivery strategy for training programs. This job afforded me the opportunity to work with other parts of the company, and I developed friendships with colleagues from Singapore, Latin America, Europe, Puerto Rico, and several states in the US. We defined and refined the processes for design, development, and launching of training products. These processes linked training organizations across all the business regions, reduced the cost, and enhanced the quality of training delivery worldwide.

To accomplish our goals, our teams were taught by the best re-engineering gurus at the time, the thought leader in the total quality movement. I learned about change management techniques, such as measuring the degree required for the change; looking at processes, policies, and procedures related to the change; and developing effective change communication techniques to help teams adapt to new situations. Re-engineering became so prevalent that employees were, in essence, identifying synergies and redundancies in their own organization that could ultimately affect their long-term employment.

The change literature contrasts the difference between macro and micro changes. Typically, macro changes are defined as those that are corporate-wide, whereas micro changes are at the individual employee level. From my experiences I learned it is not that simple. Changes made in one manufacturing area in Tianjin, China, for instance, can easily affect a factory in California. As a leader, I could not ignore these global influences when talking with my staff members, because they were witnessing some of the same outcomes. I found that the talking points, developed by the organizational development department, based on change management communication techniques, seemed formulaic and too business-focused. I recognized that to be considered an authentic leader of my team would require me to be much more transparent.

My next career provided insight into cultural transformation in organization through consulting opportunities. Specifically, I learned how the centralization of business units affects both leaders and workers alike. My new role had two parts: (a) to sell consulting services to preferred suppliers and strategic customers at the senior executive level, and (b) to source relevant executive speakers for the companies we served. Companies I consulted for at the time included GE Capital, Ford Motor Company, Eastman Kodak, Budweiser, and Caterpillar. Working with some of the most well-known business schools, I sourced well-known thought leaders for the companies we served—schools like the Harvard Business School, the Kellogg School of Business of Northwestern University, the Amos Tuck School of Business of Dartmouth, the Stanford Graduate School of Business, and the University of Michigan Business School. Even to this day, I marvel at how many opportunities I have had to work with some of the best and brightest authors in the field. In doing the research for this dissertation, I recognized that I had attended seminars, and in some cases negotiated, with the very authors we used back in those early years.

My next opportunity provided much insight regarding management of staff. As the Manager of Operations my duties included both personnel management and cost management. We provided training for a region in the company; at one time we had over 300 consultants that we hired and evaluated for the training courses for our constituents. During those years our training costs, which were charged back to the company, increased from $9 million to $11.5 million, because the company believed firmly in the value of developing their people and our internal customers also believed in the value of the programs we provided. I developed a philosophy. For an organization to withstand change, individuals must first possess the tools and techniques necessary to make them productive and successful in their roles.

What about leadership experience in running a business during turbulence? At this point, the previous manager of the Central Region took a rotational assignment in Malaysia, and later in Japan, and I was soon promoted to be the new director of a large US training region, which included 27,000 employees at the time. My staff included 70 people, and my annual budget was $14 million.

The technology industry was booming. Competition from overseas was growing, putting pressure on our organization. We were losing market share to other companies that were designing products at a considerably lower cost. Because training was a support group for the business units, training was considered overhead that could be cut during difficult times. My department went from a dedicated group of approximately 1,100 people worldwide to 400, and more cuts appeared to be inevitable.

This downsizing had a huge impact on my own group. Reading over my performance review, written at the time, emphasized to me the terrific duress we were experiencing. Indicators included: we reduced software training costs by $765 thousand per year; we shrank learning time in the classroom through developing strategy for e-learning; eight decentralized training organizations were merged through a process of redesign which reduced operating costs by 30%; the product portfolio was consolidated and streamlined worldwide from 10,000 course titles to 2,500; and staff was held to 75% of full deployment level while delivering the full load of training with no loss of quality.

Reading over it now, I vividly remember the pain and meaning of the transformation of those times. Many good employees were let go, not because of inferior performance, but because either the work had been made redundant (due to process redesign) or because there was no longer a need for so many full-time people when there were fewer requests for training. The impact on me was disorienting and I applied for a transfer. The new job gave me insight into organizational and leadership development. In the Organizational Development Department I held two consecutive roles. The first was to assist with the introduction of several new organization-wide programs: new performance management programs and new succession planning methods.

Both programs were necessary at the time. Due to continued downsizing, individuals within the company were highly competitive with one another. They positioned themselves for the next best job. Self-aggrandizing behaviors among colleagues, previously anomalies, were now relatively common. People took individual credit for work that a whole team had done. And there were signs of employee sabotage. A typical example was the subtle placing of a person's name at the bottom of a PowerPoint presentation, so that management would assume the person had come up with the concepts himself or herself. The performance management and succession management programs did not affect these behaviors. In fact, the programs seemed to exacerbate the behaviors. Worse, the downsizing of the company continued month by month and quarter by quarter. I recognized that even the most elegantly designed programs that were benchmarked against the best companies in the world would have little effect in the culture at the time. What was first required was the employees' belief in the sustainability of the company and their own career longevity with it.

My second and last role in the company was to be in charge of executive education for the officer level. Our programs usually included case studies focused at the apex of the organization, specifically learning about CEOs from companies that were considered successful at the time, for example, General Electric, Southwest Airlines, Intel, and Herman Miller. I recognized that the very language I had wondered about in my early years, while working in problem-solving teams, was the language that many of these speakers were using, but the language seemed disingenuous. Given the terrible conditions that the company was in, I was hoping to find leaders who had explored new dimensions of leadership and change. A new language was clearly required, rather than the imitative, already-baked words and theories that every other company had previously used. Unfortunately, the well-networked, powerful, and prestigious executives who attended the sessions liked hearing these speakers. The executives did not seem to agree with my own interpretation of the words, because the evaluation marks for my programs were consistently high. The speakers were espousing the same values that many in the room also held, which included running a lean, competitive, market-driven, and supposedly visionary company. I did not fit in the same way I once did. Or was it that the future looked increasingly unfamiliar?

I decided to move to another company, one vastly different from my previous organization. It had only 5,000 employees and had existed for only 18 years. Another major change was that the new environment was dominated by sales people, as opposed to engineers. Also, most employees were young, between the ages of 30 and 35. In fact, when I first joined, I was probably in the top 2% age-wise of all the people there. Very few processes were in place. There was a short-term, execution focus in the company, and people were very cost-conscious. Because everyone had a sense that they shared in the success of the company, each person did his or her best to make the company successful. The culture was collegial, family-oriented, and as a result not inclusive of outsiders. I knew that to succeed, I needed to make some significant adjustments. I recognized that the old timers in the company, although friendly, were suspicious of some of the proposals I introduced. I learned to appreciate the importance of insuring that the culture was ready for change prior to the introduction of new initiatives.

Also, I was appointed as a board member for the International Nuclear Power Organization (INPO), the accrediting board for the nuclear industry. It reviews the efficacy of learning and development programs and identifies ways that leaders can affect change to make the learning more effective. As a board member I learned that although there is a friendly formality between company leaders and board members, there remains the vestige of ultimate authority of the board that I had never fully appreciated up until this point.

What has been fascinating in all of these roles is that I continue to recognize that, in spite of the differences in size, focus, and age of a company, every organization and leadership group is exhibiting some of the same behaviors and opportunities for improvement required to respond to turbulent change.

In summary, my collective experiences in corporate life provided me with first-hand knowledge of change leadership. With that, I embarked on a scholarly examination of leadership. This research provided a means to study change in full measure, including a new set of terms and definitions. My interest in the scholarship grew. I looked at familiar phenomena in new ways. I learned how to make meaning of these critical concepts.

# CHAPTER 1

# INTRODUCTION

The literature on change leadership implies that leaders have a responsibility to steer an organization through a course of change by providing direction and support throughout the process. Leaders are exhorted to exemplify change leadership behaviors (such as the ability to deal with ambiguity), set an appropriate vision, and communicate effectively in a way that will assist followers to understand and follow the new direction of the change. The assumption here is that some of the literature on change leadership requires a greater emphasis on contextual analysis.

As I have observed the complexity of change, I recognize many factors that mitigate the new change occurring as intended. Such factors include an increasingly unstable marketplace, competition in the leadership ranks, cynicism in the employee rank and file, and disillusionment with shareholders and board members who are voting daily with their pocketbooks as the market changes. In other words, although change leadership is required, it is important to consider how it is accomplished during times of corporate turbulence, when aspirations of leaders and shareholders are high, but expectations from management and employees are often low.

When the investigation started, the purpose was to better understand the interpersonal and intrapersonal behavior of upper-echelon leaders. The purpose evolved into the meaning of turbulent change to these leaders. The process of topic evolution is explained in detail in the methodology chapter. This is a contextual analysis of a highly successful, technological business that went from high growth in the middle 1990s to a period of significant downturns in revenue and margin in the early 2000s. The premise of the study was the adage that either you are the master of change, or you are its servant (Drucker, 1995). My assumption was that change could be managed, in spite of turbulence, and that the executives I planned to interview could assist me in learning how that is accomplished.

The setting for this research was a Fortune 100, multinational company in the Midwest, which I have named Compass, to protect the anonymity of the subjects. The story begins when the company was a leader in market share, with an excellent reputation for innovation, a solid brand as a high-quality technological company, a "Darling of Wall Street," a leader in people development, and a premier employer. The story continues to a time when that same company was maligned as too bureaucratic, unprofitable, and out of touch with reality. The ongoing story is how the leaders dealt with the unexpected downturn in the business, sought to gain personal assurance that the business was going in the right direction, and dealt with superiors, fellow leaders, and constituents to address daunting obstacles.

## Study Genesis

My interest in the subject of change during turbulent times is based on both a personal and a scholarly perspective. As outlined in the preface, I experienced the sudden downturn in the business as a 12-year employee of Compass. Up to that point, working at Compass was like living in Camelot. Although it rained from time to time, due to economic cycles in the business, leaders usually were perceived as making the right decisions to move the business forward. During the early 2000s, however, all the decisions that were made seemed to fall short of turning the business around. A corporate transformation of the company was believed to be necessary. New leaders were installed who had not been part of Compass previously. They brought with themselves a new set of values, beliefs, strategies, and approaches that were significantly different from what executives in the business had experienced up to that time.

I experienced the change and watched the behavior of my fellow leaders and employees during the change process. As I watched the behaviors of the executives at Compass, who were two or three levels above my rank, I became interested in knowing whether they were dealing with the turmoil in the same manner as I was. In talking with them about the continued turbulence, I was amazed by how insightful they were about the changes, how much they still cared about the company, and how much alike our experiences had been. A common experience had been a sense of powerlessness to enact needed changes, because the business climate was continuously changing—in spite of our best efforts. It was as though we were all in a leaky boat together, industriously plugging holes and scooping out water, but new holes would appear unexpectedly and we continued to sink further.

From a scholarly viewpoint, I was aware of all the major change theorists. In the business context, some of the theories just did not seem to apply or were incomplete. These included Fiedler and colleagues (Fiedler 1967, 1971; Fiedler & Chemers, 1974; Fiedler, & Garcia, 1987); Hersey and colleagues (Hersey, Blanchard & Johnson, 1977, 1996); Drucker (Drucker, 1969, 1995, 1998; Eisner, 1998); Blanchard and colleagues (Blanchard & Bowles, 1990; Blanchard, Edington & Blanchard, 1990); Conner (1995); Kotter (1995; 1996; 2002; Kotter & Heskett, 1992); and Peters and colleagues (Peters, 1987; Peters & Austin, 1985; Peters & Waterman, 1982). All authors were important figures in either the scholarly world or as best-selling authors, with significant contributions to notions of change. In fact, I had helped bring some of these scholars into sessions with our executives during these times to assist them in their change efforts. These theorists discussed change management strategies, and the roles leaders play during change, but they discussed change as if it was a discrete event. Changes we were facing were not incremental changes; they were changes that affected every aspect of our company: the leaders, the employees, and the community we served. What was required was an ongoing process to significantly change the very fabric of the company. I believe change leadership cannot be interpreted without reference to the context.

## Importance of Study

This study is important for two reasons. The amount of significant, often traumatic, change in organizations has grown tremendously over the last few decades (Kotter, 1996). We are living in a time of unprecedented change (Drucker, 1995), and all organizations must adapt to it. The competitive environment is changing rapidly due to globalization, emerging technologies, degradation of workforce preparedness, and financial pressures that are forcing massive cost-cutting and downsizing (Sullivan & Harper, 1997). Fully two thirds of the Fortune 100—and probably an equally significant proportion of small and mid-size companies—claim to be in the midst of some kind of revamping or major change that is aimed at the behaviors and skills of hundreds or thousands of people at all levels (Katzenbach, 1995).

Although global corporate transformation is a requirement for survival for many companies, the transformative results are not only mixed, but also difficult to achieve (Schoonover, 1968). As such, leaders recognize the need for transformation, because failure to succeed can lead to dissolution or disintegration of even the most prestigious or mammoth of organizations. In underscoring the importance of change, the risk of failure cannot be overly emphasized. Should they ignore, misjudge, or poorly execute imperative and substantial change initiatives or processes, private sector organizations, public entities, enterprises, and agencies can falter and disappear almost overnight.

The second reason that this study is important is that, despite a growing interest in organizational transformation in industry, academia, and government, organization theory remains relatively immature in this area, particularly as it relates to understanding large, complex organizational transformations (Else, 2004). I suspect that one of the reasons for the lack of many studies in this arena is access, because executives are careful not to share too much detail out of loyalty to the company, as well as fear of retribution from their fellow leaders should rumors get started. The result is that operations of large corporations are hidden from the public and to those on the inside. Moss-Kanter (1977) summarized the difficulty of studying corporations in the following text:

> Large corporations are often formidable and mysterious to people outside them, like giants that populate the earth, but can only be seen through the shadows. Yet informed participation in civic culture requires knowing more about how corporations operate or what people in them do than is contained in stereotypes of ambitious organization men or insensitive bureaucrats. Corporations are often equally mysterious to the people inside, whose views can be limited and parochial because they rarely get a sense of the whole. With the interest of villages that have never seen the rest of the world, insiders often ask an outsider who has just traveled to another part of the organization "Is it all like it is in my little corner? Is it the same other places?" Insiders too need the larger view in order to manage their situations, to understand the forces acting on them, to see options, and to consider alternatives. (p. 4)

Fortunately, when interviewing executives during this study, I was somewhat impressed with the candor, insight, and, indeed, how alike their experiences were (to each others' and to my own), despite differences in departments, functions, sectors, and rank. I believe that the reason these executives were willing to talk openly with me about their experiences was that I had credibility due to my own role as a Compass leader, my understanding of the culture, the fact that I had no agenda, and the presence of my genuine interest to learn what these executives could offer to students who were interested in change theory. The insights that were provided led me to believe that this dissertation could truly contribute to the change literature because of its unique perspective on how executives manage through turbulence.

## Statement of Purpose and Research Questions

The purpose of this study was to investigate change leadership as it occurs to incumbent leaders in a multinational company in turbulent times. Specifically, the study investigated how incumbent leaders who had held top positions in the company for a long period of time, provided rational accounts of the reality as they experienced corporate transformation. It should be noted that I did not define turbulence for my subjects; instead, each subject provided his or her own particular definition or time frame based on his/her experience of turbulence. All of the subjects interviewed indicated that although change was part of the fabric of Compass throughout the 1990s, the most turbulent times were a result of the corporate transformation that occurred in the late 1990s and continues to the present. A definition of turbulence emerged: turbulence is the degree to which change causes ongoing, destabilizing conditions in the organization that require new mindsets for the individuals involved. The degree that I refer to here includes corporate survival itself.

Corporate transformation is defined by a radical change in corporate financial results, as well as paradigm shifts in the processes, structures, and behaviors of the corporation (Else, 2004). Transformation is an ongoing process that permeates the entire organization, and represents a sharp break with the past. This break is a major difference between transformation and simple reform. Whereas reform is an attempt to go down the same path more efficiently, transformation involves the development or discovery of entirely new paths (Garfield, 1991). In this context, the definition of transformation is much more difficult to establish from the literature, except that it, too, is an ongoing process or journey—one intended to result in a much more agile company, with fundamentally new ways of thinking (Else, 2004).

My fundamental research intention was to contribute a new way of thinking about change to the literature, by introducing new definitions and terms as well as discussing the components of change in a nonstatic manner. Definitions will be presented related to change, such as change leadership, loyalty, values congruence, and inclusion. Scholars who study change look for external, objective manifestations (such as power and influence), or situational aspects of change and specific change strategies required in particular cultures.

I was more interested in uncovering what happens behind the scenes. Examples of my early questions included: What did executives do as decisions were being made that significantly changed their roles of their departments? What exactly were they doing to influence the CEO on behalf of their constituents in their departments? How did they argue for a different point of view if, in fact, they thought that the direction that the company was taking was not the correct course? How did they manage the political side of change? For example, did they try to influence their fellow leaders in a specific way? How did they stay engaged through all the cultural shifts they were experiencing? For example, were they communicating the vision with an authentic belief that it was the right direction or were they merely following directions? Many of my interview questions are reflected in the interview protocol. I was primarily interested with how difficult decisions were made, the tough conversations executives had with fellow leaders, and what was happening in the trenches. Over time, the research evolved and the questions also changed. The research questions for this study were:

1. What is change leadership during turbulent times?
2. To what extent can a model of change leadership be developed?
3. Are there theoretical connections between disengagement and optimal components of change leadership during turbulent times?
4. To what extent can a theoretical model of engagement and/or disengagement during turbulence be developed?

The answers to these questions are provided in the ensuing chapters. It is important to note what this research is not about. It is not about the strategy of the company or whether the strategy was appropriate before or after the transformation. Nor is it about the nature and impact of the strategy on the employees themselves. Finally, it is not an examination of the traits that have made inspirational leaders great. Although I am interested in how the leaders dealt with their employees in the context of change, I did not explore the impact of the approach taken or try to find out if they had effective strategies for communicating and managing employees.

Thus, I offer a new way of investigating change leadership and new definitions. Table 1 contains the glossary of terms used in this study.

Table 1

Glossary of Terms

| Term | Definition |
| --- | --- |
| Turbulence | The degree to which change causes an ongoing, destabilizing condition in the organization that requires new mindsets for the individuals involved. |
| Change Leadership | The ability to instill in one's self and one's followers a sense of purpose by placing a premium on latitude, loyalty, and continuity. |
| Latitude | The capacity to have decision authority that fits with the company direction so that decisions are not compromised. |
| Loyalty | A rational and emotional commitment that drives discretionary effort and intent to stay based on inclusion and values congruence. |
| Continuity | The degree to which an organization can be sustained and continued into the future based on its reputation and capability to deliver value. |
| Engagement | An individual's state of mind when he/she believes that staying with the organization is in his/her best self-interest and that going above and beyond will result in additional emotional, financial, and/or social gains. |
| Inclusion | The extent to which an individual feels his/her input, opinion, or presence is sought out, valued, and accepted or acted upon by the organization. |
| Values Congruence | The extent to which an individual perceives that the values of the organization match his/her personal values. |

# CHAPTER 2

# LITERATURE REVIEW

This literature review offers an analysis of theories and a development of the rationale for this study. The review reveals two distinct areas of research: (a) leadership theory, as it covers leaders' behaviors, roles, and responsibilities; and (b) organizational theory, as it examines leaders in the context of the culture in which each leader resides. Because development of organizational leadership theories followed that of leadership theories (Else, 2004), I was also interested to learn how the organizational leadership theories matured.

Moreover, this analysis of the literature centers on leadership and change, beginning first with studies about leaders' traits (largely written before the 1940s), on behaviors and styles (published between the 1940s and the 1960s), followed by contingency theories (late 1960s to the early 1980s), and finally on transformational leadership change theories published since the early 1980s (Bryman, 1992). Organizational theory deals primarily with three major areas of study: leadership competencies required for change, organizational culture and readiness for change, and leadership strategies for organizational transformation. This literature review will discuss the more prominent authors and theories during each time period and will illustrate both how the field of study matured as well as the problems with the associated theories.

# Leadership Literature

## Trait Theory

Leadership traits theory centers upon the notion that leadership ability is likely innate; however, after the 1940s that conclusion was consistently found to be untrue. For instance, Hollander and Webb (1955) found that individuals who are recognized as preferred followers also tend to be recognized as highly preferred leaders. They question whether leaders were nominated into leadership positions on the basis of their being liked rather than their specific leadership abilities. In a landmark article, Stogdill (1948) assessed the strength of various findings on the basis of the number of studies that reported similar findings. He gave this body of literature the coup de grace by declaring that most of the literature was inconclusive or contradictory. However, two major conclusions were reached, based on positive results from at least 15 studies. As for characteristics, he found that a leader usually exceeds the average member of his/her group in areas of capacity: intelligence, alertness, verbal facility, originality and judgment; achievement: scholarship, athletic accomplishments; responsibility: dependability, initiative, persistence; social participation: cooperation, adaptability, humor; and socioeconomic status. His second finding was that the qualities, characteristics, and skills required for the leader are determined to a large extent by the demands of the situation in which he or she is to function as a leader.

In spite of Stogdill's findings, searching for the most important trait that leaders exemplify in periods of change continues to be a subject of interest. Even as late as the 1980s, Jennings (1982) concluded that after 50 years of study, authors in the field had failed to produce one personality trait or set of qualities that could be used to discriminate leaders and nonleaders. This is not to say that certain leadership traits may not be important. The key is that there were no set of traits and/or competencies that have been identified to be predictive traits for leadership success.

## Behavior Theory

Behavior theorists focus on a leader's effectiveness in gaining commitment from followers (Bryman, 1992). To study behavior, theorists use empirical approaches, such as critical incidents reviews, observations, or leaders' own behavior descriptions. Flanagan (1949) used a critical incident method to consider effective leadership performance. He classified over 3,000 incidents of effective and ineffective behavior of U.S. Air Force officers and placed them into six categories: handling administrative details, supervising personnel, planning and directing action, acceptance of organizational responsibility, acceptance of personal responsibility, and proficiency in military occupational specialty.

Lewin, Lippitt, and White (1960) used observations of elementary school boys as the basis of a landmark study that they conducted. The researchers formed a number of sponsored clubs among adult male graduate students in social psychology. Each leader was trained to behave toward the boys in his group in one of three leadership styles: authoritarian, democratic, and laissez-faire. The study found that groups with democratic leaders were the most satisfied and functioned in the most orderly and positive manner. On the other hand, autocratically led groups spent more time in productive work activity than did other groups, but only when the leader was present. However, all measures of productivity in the studies by Lewin and his associates refer to process variables, such as work-related conversations, rather than actually measuring how productivity was assessed (Lippitt & White, 1958).

McGregor (1960), who is one of the most widely cited behavioral theorists, describes two types of leaders: Theory X and Theory Y. Micromanagers who command and control are known as Theory X leaders. Theory Y leaders believe that people (a) deserve to be treated with dignity and respect, (b) are honest, and (c) can be trusted.

Mitzberg (1973) presented a tool for identifying ten managerial roles categorized by interpersonal behavior, information-processing behavior, and decision making. This approach examined the actions of a leader within an organization and recognized that the followers can also influence the leader's behavior.

Research subsequent to Mitzberg's has focused on leaders' profiles in an effort to evaluate success profiles across leadership groups (Arad, Hanson, & Schneider, 1997; Bensimon, Neumann, & Birnbaum, 1989). Even with all of these studies, behavioral theorists have not reached agreement on Mitzberg's categories in order to be able to measure the value of these theories (Bensimon et al., 1989).

House (1971) developed a number of hypotheses about the characteristics and behaviors of charismatic leaders. He tested the effect charismatic leaders had on their followers. The effects included: (a) followers trusted the truthfulness of the leader's beliefs; (b) followers' beliefs were similar to the leader's beliefs; (c) followers had unquestioning acceptance of the leader and a willingness to obey the direction the leader provided; (d) followers had an emotional involvement in the leader's concerns; and finally, (e) followers felt an affection for the leader (Bryman, 1992).

The limitations of descriptions of leader behavior include the following. First, a leader who is liked tends to be rated higher on surveys than one who is not liked. Thus, it is difficult to know whether the leader's popularity influences the members of the group more than the leader's specific behaviors (Fiedler, 1971). The second limitation focuses on the followers themselves rather than the leader. If members of a group like a decisive, structuring leader, they may assign a higher score to the leader that provides direction rather than one who does not. Therefore, the same leader may have high scores with one group of followers, but low scores with another group, based on the mix of personalities of the group members. The third concern is around the notion of leadership effectiveness. The behavioral approach assumes that there is one best method for obtaining top performance of the group, but there has been no behavior that has proven to be conclusive (Fiedler & Garcia, 1987).

## Contingency Theory

Contingency theories propose that the effectiveness of a leadership style depends on the situation, which means that a particular style or pattern of behavior will be effective in some circumstances but not in others. Contingency theorists explicitly draw attention to the notion that there is no universally appropriate style of leadership, because certain styles may have an impact in one situation but not in another (Bryman, 1992).

Fiedler (1971) is best known for introducing the situational approach to leadership studies. He believed that much of the literature in the area of managerial effectiveness had taken a one-sided view, stressing one aspect of the person, situation, or process at the expense of others. He offered a theory of leadership and managerial effectiveness that sought to integrate person, process, and situation.

Fiedler began with Lewin's (Lewin, 1935; Lewin, Lippitt, & White, 1960) well-known formula, $B = f\ (P, E)$, which stated that behavior (B) is a function of personality (P) and the environment (E). Fiedler and his colleagues (Fiedler & Chemers, 1974) asked what particular aspects of the environment interacted with personality in affecting behavior. These researchers believed that the concept of leadership effectiveness is the degree of success with which a group performs the primary assigned task (Fiedler & Garcia, 1987). The researchers were interested in determining what types of leaders perform well in different types of situations, what the critical differences in the situations were that helped predict leadership effectiveness, and what was the relationship of power and influence of the leader on the situation.

The contingency model states that the effectiveness of a leader or group depends (or is contingent) on the leader's need structure (specifically, whether the leader is primarily motivated to seek task accomplishment or to seek satisfaction of interpersonal needs), the leader's situational control (i.e., the leader's confidence that the task will be accomplished), and the interaction between the leader's need structure and situational controls. Thus, three components were established in Fiedler's and his colleagues' framework: Task Structure, Leader-Member Relations, and Position Power (Fiedler & Chemers, 1974).

Task structure is the degree to which the task requirements are spelled out. Tasks were rated according to three dimensions: (a) goal clarity, the degree to which the requirements of the job are clearly stated or known to people performing the job; (b) goal-path multiplicity, the degree to which the problems encountered in the job can be solved in a variety of procedures; and decision verifiability; and (c) the degree to which the correctness of the solutions or decisions typically encountered in a job can generally be demonstrated by appealing to an authoritarian source (Fiedler, 1967).

Leader-member relationships are based primarily on the leader's need structure and situational controls. Task-motivated leaders tend to perform best in situations in which they have high control, as well as in those in which their control is low. Relationship-motivated leaders perform best in moderately controlled situations (Fiedler & Garcia, 1987).

Position Power is the degree to which the leader has been given the right to direct, evaluate, and reward or punish those he/she is asked to supervise. Three aspects of the situation were considered to be the most important in determining the leader's control and influence. These were: (a) whether the leader's group atmosphere score or the sociometric preference for the leader is high or low; (b) whether the task is relatively structured or unstructured; (c) and whether the position power is relatively high or low.

Fieldler's Contingency Model was an important contribution in the study of leadership effectiveness, because it considered the context in which the leader resided. Situational leadership theories (Blanchard & Bowles, 1990; Blanchard et al., 1990; Hersey et al., 1996), which proliferated in the early 1990s, were based on Fiedler's work and formed the basis for discussions related to high-performing teams. For example, The Situational Leadership Theory, developed by Hersey, Blanchard, and Johnson (1977), relates appropriate behavior by leaders to the maturity of the followers, motivation to achieve, willingness to take responsibility, and education and experience to enhance performance in teams (Valencia, 2004).

The problem with this line of research as it pertains to turbulent change is that first, situational favorableness, leadership power and influence, and required tasks change continuously, thus making it difficult to assess which of the elements are most pertinent to bring about change or are mitigating performance improvement. Second, the cultural aspects of the organization need to be taken into consideration rather than principally focusing on the task or specific situation. A third problem with the literature is that the theory is often used as a measure of the leader-follower relationship, with the results based primarily on internal leadership performance reviews and some group performance, rather than on what leaders do during major paradigm shifts of corporate change.

## Transformational Leadership Theory

Literature relevant to transformational leadership often is considered to have begun with the work of Burns, who conceptualized transformational leadership theory in his 1978 book *Leadership*. He distinguished between the transactional (ordinary) leader and the transformational (extraordinary) leader. Burns defined the transformational leader by his/her ability to motivate followers beyond normal expectations. Transformational leaders achieve organizational growth by focusing on followers' attention on the importance of the organizational vision and by motivating followers to put the needs of the organization before the needs of the individual. Burns hypothesized that transformational leaders transform their followers by engaging them in a relationship of mutual leadership, techniques whereby followers become leaders as well (Burns, 1978).

Bass (1988) built on the work of Burns and proposed a theory of transactional/transformational leadership which dominated the organizational development research in the 1990s and continues to be a theory of major study. The literature base dealing with his theoretical framework is important to consider. Bass divides leadership into three types: transformational, transactional, and laissez-faire.

Transformational leaders are known to have subordinates who report greater satisfaction, develop higher-performing work groups, and receive higher ratings of effectiveness and performance. Typically, these leaders inspire followers to do more than originally was expected by broadening and elevating the interest of followers in the group's purpose and mission and by motivating followers to go beyond their self-interests. Transformational leaders integrate creative insight, influence, motivation, and individualized considerations of others to align organizational strategy into the culture of the organization.

Transactional leadership is founded on the idea that leader-follower relations are based on a series of exchanges or implicit bargains between leaders and followers. Followers receive certain valued outcomes (e.g., wages, prestige) when they act according to their leaders' wishes. Transactional leaders are characterized by contingent reward systems and management-by-exception styles of leadership.

Laissez-faire leaders avoid both decision making and supervisory responsibility. This type of leader is inactive versus reactive or proactive. It is measured by the absence of leadership as opposed to measuring a particular leadership approach.

When Bass first conceptualized transactional and transformational leadership he included seven leadership factors, which he labeled charisma, inspirational, intellectual stimulation, individualized consideration, contingent reward, management-by-exception, and laissez-faire leadership (Bennis & Nanus, 1985). In later writings, Bass (1988) noted that although charismatic and inspirational leadership were unique constructs, they were often not empirically distinguishable, thus reducing his original multifactor model to six factors (Avolio, Bass, & Jung, 1999).

When measuring transformational leadership with Bass's Multifactor Leadership Questionnaire (MLQ) four factors, denoted as the 4 I's (Bass & Avolio, 1993), are assessed: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. When measuring transactional leadership, three factors are addressed: contingent reward (compensation for performing specific tasks and sales commission are typical examples), active management-by-exception (job standards are established and communicated and variances from those standards are used to critique performance), and passive management-by-exception (job standards are not communicated and performance variance critiques are after-the fact and accusatory).

The first problem with the literature is that Bass's theoretical framework is designed as a continuum between two elements: transformational and transactional leadership (Bass & Avolio, 1990; Bass & Stogdill, 1990; Bass, Waldman, Avolio, & Bebb, 1987). The theory makes distinctions between outstanding leaders (transformational), average managers (transactional), and poor performers in management jobs (laissez-faire). Such distinctions are not very insightful when one is trying to identify leadership characteristics that are important for executive leaders involved in complex organizational change. A second criticism of the literature is that the goal of expecting leaders to adopt a transformational leadership style may not be appropriate during times of corporate upheaval. It may well be that the leader who provides structure, stability, and predictability (such as the transactional leader) is important during the early evolution of the new structure and strategy.

Finally, the literature approaches the question theoretically and in a fragmented way. When describing leadership competencies, such as creating visions and leadership elements necessary for the alignment of culture, theorists generally ignore the short-term pressure issues that leaders face.

## Transformational Change Theory

The literature in the area of leadership role models in the midst of change has received much attention because of best-selling books by both Tom Peters (Peters, 1987; Peters & Austin, 1985; Peters & Waterman, 1982) and John Kotter (Kotter, 1995, 1996, 2002; Kotter & Heskett, 1992).

Peters, a well-known author and commentator on the management scene, uses an "excellence model," which describes how leaders are more effective when they possess expertise, skills, and knowledge that followers respect and regard as important. Throughout the 1990s, a well-known approach in some leadership programs was the Hewlett-Packard philosophy of Management by Wandering Around (MBWA), made famous in the book *In Search of Excellence* (Peters & Waterman, 1982). The book suggests that leaders should wander around and catch people doing things right. Peters was emphasizing Theory Y Management styles, which had been discussed earlier in McGregor's work (1960). Peter's Excellence Model also had a role in the Quality Movement. "Quality is above all, about care, people, passion, consistency, eyeball contact and gut reaction" (Peters & Waterman, 1982, p. 90).

Kotter (1996, 2002; Kotter & Heskett, 1992) has been touted as the "foremost expert on business leadership" by the Harvard Business School Press (Kotter, 1996) and as such, requires mention in this review. Kotter's 8-step vision of establishing a sense of urgency, building coalitions, communicating vision, etc. (1996) provides a formulaic way for business leaders to ensure that their constituents are aligned to the needed changes. His later book in 2002 provides real-life stories of how the eight strategies were utilized by specific people in specific firms, typically at the CEO level.

Several authors build stage models that are similar to those of Kotter and Peters in that the later-stage models typically involve visioning, communicating, and evaluating the change. For example, there is a 6-stage model that involves visioning, communicating, generating new organizational opportunities, influencing stakeholders, maintaining motivation, and staying the course (Kent, Johnson, & Graber, 1996). Another 6-stage model proposes that implementing discontinuous change is important to do in order to transform organizations. This involves: (a) diagnosis, that is, communicating why the change is needed; (b) recruiting change agents and anticipating resistance; (c) communicating to the entire organization; (d) consolidation and refinement; (e) evaluation, such as establishing lessons learned and measuring success; and (f) sustaining, which involves reflection and the identification of smaller change projects (Nadler, Shaw, & Walton, 1995). Bennis provides a 4-stage model for transformational leadership change which includes: (a) attention through a vision, that is having a clear agenda and being oriented toward results; (b) achieving meaning through communication (through the use of metaphors, images, and models); (c) gaining trust through positioning, which involves demonstrating accountability and predictability; and (d) gaining recognition or attention through positive self-regard (Bennis & Nanus, 1985; Bennis & Townsend, 1995). All of these stage theories discuss how transformational leaders involve and commit followers to achieving the vision by inspiring greater involvement in the work and providing more self-fulfillment by increasing their emotional and intellectual preparation. By articulating the vision and imparting the rationale behind the decisions, the goals are accepted and the transformational leader gains trust and respect (Clark & Clark, 1996).

Notions of life-long learning, as it relates to leaders who role model change, were also discussed by Kotter (1995) and others. For example, Senge (1990, 1994), was able to put into "business speak" notions of lifelong learning that had been espoused by many of the adult learning theorists. These theorists included Brookfield (1993), Hake (1999), Knowles (1980), and Kuchinke (1999). Senge (1994) emphasized the impact of personal mastery, which not only would increase the individual leader's own capability but also would improve the capabilities of the other people around them.

What a leader does to build systemic change is also a focus in the transformational leadership change theory literature. Kouzes and Posner (1993) maintain that "leadership is a relationship between constituents and leaders that is based on mutual needs and interests" (p. 11). The notion of mutuality is that both leader and follower have an interest in organizational success. The leader's role is to be credible, honest, supportive (i.e., not self-serving), forward-looking, inspiring, and competent (Kouzes & Posner, 1993). Collins and Lazier (1992) propose that "the number one responsibility of a leader is to catalyze a clear and shared vision for the company and to secure commitment to and vigorous pursuit of that vision" (p. 4). The goal of the leader is to get followers to share the company's vision by emphasizing the importance of communication by leaders through the use of vivid images to convey what the company is needing to do (Collins & Lazier, 1992). Nanus (1992) echoes this line of thinking by maintaining that the transformational leader creates and communicates a well-developed vision that galvanizes and exerts an influence on followers. He discusses how a transformational leader provides meaning for followers by relating their daily work to the importance of achieving the vision and thereby increasing involvement.

There are several problems with the works of this group of authors. First, their work suggests a one-best-way of thinking. This predilection explains much of the popularity of the books, because they are not hedged with the "ifs and buts" of the contingency theorists (Bryman, 1992), but it does not address or explain the traumatic nature of the problems associated with turbulent change. The difficulty of transformation was emphasized by Harvey Jones, one of the transformation leaders identified in the Tichy and Devanna study (1990). As Jones, the former CEO of

Imperial Chemicals Industries (ICI) says, "I do not believe in the myth of the great leader who can suddenly engender in his people a vision and lead them to an entirely new world. I believe that reality is more traumatic and demanding" (p. 35).

Second, there are periods of a company's development which require transformational leadership but not organizational leadership. To associate transformational leadership with radical change may be dangerous if senior executives come to feel that they are there to engage in organizational transformation because they may not take a sufficient account of the stage of the company's development (Bryman, 1992). There is a special risk of this happening with new, outside executives who want to make their presence felt and see their role as one of introducing fundamental change in line with their own vision.

Third, there is a tendency of best-selling books to focus on the apex of the organizational hierarchy by interviewing leaders such as Jobs, Burr, Iacocca, and Welch, to understand their leadership approach (Collins, 2001a; Collins & Porras, 1996; Finkelstein, 2003). This focus closes off discussion of the organizational, cultural, and social phenomena associated with organizational maturity which are likely the more pertinent focus for the discussion.

## Organizational Theory Literature

The organizational change theorists can be categorized into three major areas of study: leadership competencies required for change, organizational culture and readiness for change, and leadership strategies for organizational transformation.

### Leadership Competencies Required for Change

The intent of authors who are well-known in the literature on leadership competencies is largely to help identify the next generation of senior leaders who will be most appropriate for bringing the organization into the future. Finding senior leaders on the outside is a high-stakes gamble, because executives, including CEOs, now are failing at the highest rate ever: above 50% (Rogers & Smith, 2005). Since succession planning strategies are often the purpose of the research, it has been separated from discussions around role models or trait theories, even though there is overlap. In corporate organizations, succession planning and senior leadership development is the purview of organizational change consultants; leadership competencies are identified in the hopes that selection, development, and rotation programs will be aligned with the strategy and direction of the organization.

Authors generally well-known in this body of work include Bennis, McCall, Collins, Howard, Bray, Rothwell, McClellan, and Marshall-Miles. The contributions of these authors are detailed in the following paragraphs.

Bennis and his colleagues (Bennis, 1995; Bennis & Nanus, 1985) began their work with a 5-year study of 90 outstanding leaders and their followers. They found four common traits, or areas of competence, shared by all 90 leaders: management of attention, management of meaning, management of trust, and management of self. Through their research, they identified four strategies for change: attention through vision, meaning through communication, trust through positioning, and the deployment of self (Bennis & Nanus, 1985). In their view, "nothing serves an organization better—especially during times of agonizing doubts and uncertainties—than leadership that knows what it wants, communicates those intentions, positions itself correctly, and empowers its workforce" (Bennis & Nanus, 1985, p. 86). The definition they applied to transformative leadership was "the capacity to translate intention into reality and sustain it" (Bennis, 1995, p. 17).

McCall and his colleagues (McCall, 1997; McCall & Hollenbeck, 2002a, 2000b; McCall, Lombardo, & Morrison, 1988; McCall, Spreitzer, & Mahoney, 1994) were interested in competency research due to their work with senior executives who visited the Center for Creative Leadership. They used ratings from over 800 global managers to identify characteristics that distinguished high potential from solid performers. Their work culminated in the identification of 11 dimensions for the early identification of global executives. McCall and his colleagues later identified executive career derailers, based on their leadership characteristics, that could predict which prominent executives would eventually burn out or get pushed out (McCall & Hollenbeck, 2002a).

Collins discusses what he calls Level 5 Leadership, which refers to leaders who are able to combine extreme personal humility with intense professional will (Collins, 2001a, 2001b; Collins & Porras, 1996). They do not blame others, external factors, or bad luck on changing business conditions. Rather, they give credit to other people, no matter the situation.

Howard and Bray (1990) have conducted research at AT&T to determine factors that lead to promotions and success at higher levels of leadership. They identified characteristics such as poise, positiveness, ability to act on impulse, and ambition.

Rothwell (2001), Marshall-Miles (2000), and McClellan (2000) all studied succession planning strategies. Rothwell advocated a process-driven approach for the early identification of high potential talent to ensure continuity. Marshall-Miles proposed the use of cognitive and metacognitive instruments to assess future leaders. McClellan, on the other hand, used a competency assessment methodology to predict leadership potential.

There are several problems with the research on leadership competencies and characteristics. First, it is often reminiscent of early theories on traits. The wording is different, but all the competencies are derived roughly around the same library of personal, managerial, and leadership competencies (Lombardo & Eichinger, 2005). Each author ends up with an interesting array of factors which contribute to transformation, but the factors are a mixture of personal traits, follower beliefs, and situational characteristics. There is no indication of the relative importance of the different factors.

Second, the literature on leadership competencies does not go far enough to assist organizations during times of turbulence. A highly reductive approach to disaggregating all of the characteristics that leaders must possess into a predictable set of characteristics, no matter the context, does not predict ways in which leaders respond to the complexity of situations during turbulent times.

Third, there is confusion between transformational and charismatic leadership. Trice and Beyer (1990) have tried to draw a distinction between charismatic and transformational leadership. They suggest that while both forms of leadership are essentially innovative in approach and introduce new organizational cultures, charismatic leaders typically create a new organization (and hence new cultures) by attracting followers and uniting them in pursuit of a common cause, whereas transformational leaders are concerned with changing an existing organization and replacing it with a new one (Bryman, 1992).

Fourth, there is occasional recognition that situational factors may affect the emergence of transformational leaders. Bass and his colleagues (Bass & Avolio, 1990; Bass & Stogdill, 1990) propose that charismatic leaders are more likely to emerge in times of growth. They assert that change and crisis are in "organizations that are facing rapidly changing technologies and markets" (Avolio et al., 1999, p. 245). Their assertion could mean either that periods of turbulence prompt a transformational leader to emerge, possibly implying that there is a longing for a savior, and that an individual emerges who feels called to do what is necessary; or conversely that the transformational leader finds it easier to promulgate a revolutionary new vision during periods of uncertainty (Bryman, 1992). The problem with this line of research is that although it would seem intuitive that certain characteristics are necessary in times of change, there is no specific change literature that details which specific traits are universal when it comes to turbulent times.

A fifth concern with the research related to leadership competencies is the overuse of surveys which are sent to executives using a variety of different testing instruments. The survey data suffer from a lack of consistency in procedures for survey administration, as well as lack of validity when considering extrapolation of the data for different levels of leaders (Avolio et al., 1999). Rarely are upper-echelon leaders studied with qualitative, in-depth interviews—perhaps because so few researchers have the opportunity to work with upper-echelon executives on a one-to-one basis.

## Organization Culture and Readiness for Change

Organizational change theorists have recognized that both the strategies leaders utilize to enact transformation and the culture within which the leader acts need to be examined (Tichy & Devanna, 1990). Hersey maintains that notions of organizational readiness have received insufficient attention in the field of organizational change and transformation (Hersey et al., 1977).

Two authors in the organizational culture and readiness literature have the most significance to my investigation: Schein and Hersey. Schein is the seminal author in the area of corporate culture. According to Bennis, "Edgar Schein knows more about corporate culture and its relevance for organizational transformation than just about anybody writing about these issues" (Schein, 1999, p. xi). Bennis's commendation of his colleague is welcomed, because there is a proliferation of definitions of culture in the literature. One study cited 164 definitions of culture (Kroeber & Kluckholn, 1952). Organizational theorists recognized, just as Fiedler did earlier, that the leader cannot be separated from the environment when one is investigating leader effectiveness, so culture studies are important.

Behavioral scientists, such as French, distinguish between two notions of culture: attitudes toward the organization's culture and artifacts held inside an organization's culture (French, Bell, & Cecil, 1984). Attitudes include beliefs, assumptions, expectations, sentiments and feelings (Whyte & Hamilton, 1996), whereas notions related to artifacts include concepts such as company goals, technology, structures, policies and procedures, or financial resources (Kroeber & Kluckholn, 1952; Schwartz & Davis, 1981). Both Schein and Hersey focus on artifacts, which is more relevant to this investigation.

Schein conceived of culture as a rational coordination of the activities of a number of people for the achievement of some common, explicit purpose, or goal, through division of labor and function, and through a hierarchy of authority and responsibility (Schein, 1965). One of Schein's many contributions is the notion of diagnosing the leader's readiness for culture change. Schein reviewed Lewin's change process: unfreezing→changing→refreezing (Lewin, 1974). Specifically, Schein (1961) looked at the unfreezing processes affecting leaders during drastic or unforeseen change. He recognized that when these individuals are removed from their customary routines, social relationships, and sources of information, many social support systems are undermined and destroyed. As a result, the drastic and unforeseen changes can cause individuals to be motivated to change because they feel demeaned and humiliated when they recognize that their old attitudes or beliefs are unworthy and ineffective in the new culture. Hersey and his colleagues (1977) looked at organizational readiness factors for members within the culture, as well as for leadership. They took Schein's definition of culture further and applied it to their definition of transformational leadership:

> a deliberate influence process on the part of an individual or group to bring about a discontinuous change in the current state and functioning of an organization as a whole. The change is driven by a vision based on a set of beliefs and values that require the members of the organization to urgently perceive and think differently and to perform new actions and organizational roles. (Hersey et al., 1977, p. 525)

The theoretical framework developed by Hersey and his colleagues (see Figure 1), called the Organizational Readiness for Transformation Model, uses a 4-quadrant approach. The horizontal axis depicts a continuum of unwilling versus a willing organizational commitment to change. The vertical axis shows the readiness of the organization for change, as either rigid with regard to the status quo or flexible with regard to the external environment (Hersey et al., 1977). The model identifies four types of cultures (clockwise): learning, conserving, stagnating, and competing.

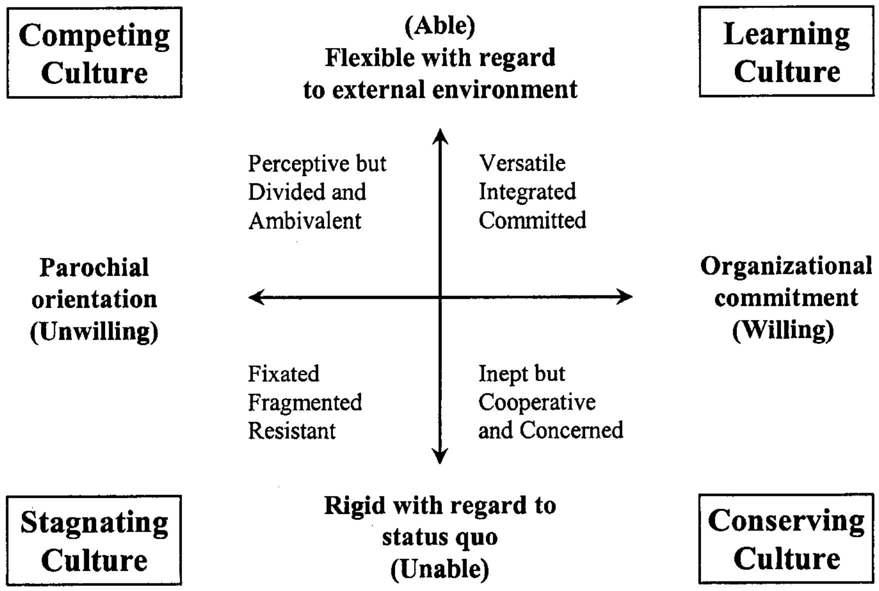


Figure 1. Organizational Readiness for Transformation Model.

Hersey and his colleagues conceived three acts of transformation: recognition of the need to revitalize the organization as environmental pressures trigger a need for change, creation of a vision which incorporates disparate views from within the organization, and institutionalization of the change. They believe that the leader must creatively destroy (Hersey et al., 1996) and then reassemble the old and the new, with an emphasis on the latter.

In times of turbulent or transformational change, Hersey and his colleagues (1977) assert that a transformational leader must commence a deliberate process of influencing the organizational members to bring about discontinuous change in the current state and functioning of the culture as a whole.

The problem with this line of research is twofold. First, notions of leaders' effectiveness in any given culture are difficult to measure, given all the variables in which leaders operate. From an intuitive perspective, the concept of readiness for change is certainly an obvious one, but there is little evidence that the models can be transferable from one organizational framework to the next. What is useful is the juxtaposition of the variables across a continuum, and that approach was used in this study.

Second, this body of literature assumes that the leader can recreate a culture and have significant influence upon it, based on top leaders' manipulation of the goals, strategies, and award systems that are embedded in the cultural artifacts of the company. This is an untested phenomenon. There are many questions such as whether the leader creates the culture or the culture creates the leader (Hatch, 1993; Sarros, Gray, & Densten, 2002) and which of the two entities are most sustainable.

## Leadership Strategies for Change

This section of the literature review focuses on applying change theories to strategies for creating change. "Change management" is often the term used in this area of research, as opposed to change leadership, because it suggests how leaders can manage through change. An important component for successful change is the ability to create a compelling vision that others can follow. Vision is the most widely mentioned competency that leaders are expected to have and use. It is considered one of the most critical competencies. In fact, creating vision was considered the most important cornerstone for success in 18 different leadership studies (Lombardo & Eichinger, 2005). These studies included scholars such as Bennis & Nanus (1985), Conger (1989), Drucker (1998), Nadler and Tushman (1990), and Tichy and Devanna (1986).

The most prevalent theorists in this body of research are Moss-Kanter, who focuses on organizational redesign factors; Blanchard, who discusses how high-performing work teams can accelerate change; and Argyris, who discusses organizational learning during the change process.

Moss-Kanter recommends a 3-variable model to manage change at the organizational level: opportunity-enhancing, empowering, and number-balancing strategies. Opportunity-enhancing strategies include a modification of job ladders, looking at new skill sets and competencies that are required for advancement, and changing reward structures for economic efficiency. Empowering strategies require flattening of the hierarchy, removing levels, and spreading authority with the goal of speeding up decisions, improving communication, and decreasing the discretionary aspects of the job (Moss-Kanter 1977). Number-balancing strategies could be utilized for affirmative action changes or downsizing of the organization for efficiencies (Moss-Kanter 1983).

Moss-Kanter (1977) discusses organizational strategies that can help leaders mitigate the potential failure of a change effort. She identifies a number of limiting factors that cause a change effort to falter: (a) insufficient support from the top or the bottom, (b) inadequate prior diagnosis of the current state or the desired outcome, and (c) the effect of the change in the decentralized parts of the organization, beyond where the change was introduced. Blanchard and his colleagues (Blanchard & Bowles, 1990; Blanchard et al., 1990) recognize that one of the realities of organizational behavior is that change can only be implemented through the next layer of management. They emphasize (albeit with dated language) the importance of using problem-solving team members or departmental team members to accomplish the aspirations espoused in the vision during the change effort.

> The paradox of modern man is that only as the individual joins with his fellows in groups and organizations can he hope to control the political, economic, and social forces which threaten his individual freedom. This is especially true now that massive social groupings—in nations and combinations of nations—are the order of the day. Only as the individual in society struggles to preserve his individuality in common cause with his fellows can he hope to remain an individual (Krech, Crutchfield, & Ballachey, 1962, p. 529).

Blanchard's contribution included identifying stages of a team's formation, which were: forming→storming→norming→performing. His diagnostic tool helped determine a team's readiness to face a specific situation, such as the achievement of a goal that was aligned to the organization's vision, mission, and business objectives.

Early work by Argyris (1958, 1962, 1964) was related to motivation factors and examined the effect different management practices have on individual behavior and personal growth. He identified seven changes that take place in the personality of individuals as they mature into adult people. Argyris saw incongruity between the needs of a mature personality and the formal organization as they currently exist. He maintained that the classical theory of management is based on Theory X assumptions, and it creates child-like roles for workers who are frustrated by an inability to follow their natural development. Implicit in his theories is the belief that people, if properly motivated, can be basically self-directed and creative at work.

Argyris's (1994) later work centered on organizational learning. He proposed notions of single-loop and double-loop learning, later popularized by Senge (1990), as a way for organizations to learn from past mistakes, and become more effective and innovative, as well as learn the limits of their innovation. Argyris proposes that organizations have the most difficulty at learning when the problems are difficult, embarrassing, or threatening—in short, precisely when they need the learning most.

This body of knowledge in the organizational readiness arena certainly has merit from a theoretical standpoint. It appears to have relevance across most organizations, and diagnostics that are provided by these authors are readily available to organizational change consultants in the field.

The problem with the organizational readiness literature is the issue Moss Kanter (1977) discusses in her work. It is the problem of time. She points out that "progressive as well as reactionary organizations succumb in times of crisis" (p. 284). In other words, a new crisis can emerge just as the organization is trying to institutionalize a change. An example of a crisis can be a sudden or continued economic downturn that will cause the change efforts to fail. In these cases, organizational leaders are tempted to go back to originally accepted procedures and hierarchical control, because such methods are considered to have been tested through the course of time. High-performing work teams' processes that had been institutionalized previously, as well as organizational design features, all need to be readdressed during times of turbulence.

## Extending the Literature

The literature on change leadership is incomplete, but it can be extended. Transformational leadership characteristics, discussed by Bass, Kotter, and Peters and their colleagues (Bass & Avolio, 1993; Bass et al., 1987; Kotter, 1995, 1996, 2002; Kotter & Heskett, 1992; Peters & Austin, 1985; Peters & Waterman, 1982), are insightful because they serve as a reminder to executives that, as leaders, they need to sustain commitment of their followers through the use of their best role modeling and motivational techniques, even though they may feel vulnerable and unengaged themselves during turbulence. The cultural theorists, such as Schein (1961) and Hatch (1993), remind us that the goals, policies and procedures, technologies, and structure all need to be considered when change is affecting the organization during times of turbulence. Authors who assess organizational readiness, such as Nadler, Tushman, Hersey, and Argyris, provide useful models for assessing readiness, because their models support a continuum of factors, rather than a static condition (Argyris, 1958, 1962, 1964, 1994; Hersey et al., 1977, 1996; Nadler & Tushman, 1990). And finally, the strategies that are useful for organizational change, such as those provided by Moss-Kanter and Sullivan (Moss-Kanter, 1977, 1983; Sullivan & Harper, 1997), are practical and concrete. These strategies were considered in the case study.

## What Is Missing from the Literature?

Although both the bodies of literature from leadership effectiveness and organizational effectiveness are well and good in their own right, they do not capture what happens to leaders at the intrapersonal level. The question remains: to what extent do real-life people go through real-life turbulence? The literature is presented in an abstract, acontextual, sterile manner as it relates to transformation. Yet, organizations in turbulence are going through a fairly significant, deforming change, which is far from abstract. The concrete, everyday changes and continued shocks to the leaders who must function within the change are not represented. The basic assumption in the literature is a static version of reality when, in fact, change is a process and a response to dynamic forces that are continually in flux.

Second, the hyper-competitive, political nature of what leaders must do to operate under these conditions is not considered. In a highly charged environment, there are likely to be highly charged egos, all trying to position themselves for their next best career move. The authors in the literature base do not represent what happens to these leaders as their lives intersect with one another during times of turbulent and relentless change. What is required is a much more human way of looking at the organization.

# CHAPTER 3

# DESIGN OF THE STUDY

To build a grounded theory, this research examined the richly described stories of executives in a Fortune 100 corporate setting. This chapter includes: (a) descriptions of the research setting and subjects; (b) factors in methodology selection, such as the rationale for using grounded theory methods; (c) methodological considerations; (d) descriptions of the research design as well as data collection and analysis processes; and (e) information about how the theory emerged. Also discussed are expectations of the research, the audience for the research, and the limitations of the research.

Grounded theory methodology proposes a fairly specific data collection strategy, including use of a homogenous "theoretical" sample (Creswell, 1998). Purposive sampling is characterized by the use of a deliberate effort to obtain representative samples of typical groups in the sample (Kerlinger, 1973). In purposive sampling, instead of taking a random cross-section of the population to be studied, small numbers of people are selected who have specific characteristics, behavior, or experience. They were selected to assist in broad comparisons among subjects that the researcher thinks are likely to be important (Walker, 1985).

## Research Setting and Study Participants

The study took place in a global technological corporation, with headquarters located in the United States Midwest. This company experienced sweeping changes during the 1990s.

The criteria used to select subjects for this research were that each person had to be: (a) a leader, (b) who was retired from Compass within the last five years, (c) who had held an upper-echelon position of authority in the company, and (d) who served his/her organization for a period of more than eight years. "Upper-echelon" is defined as either working at the vice president (officer) level and directly reporting into the president's office or leading one of the major business units or functions in the corporation.

Past leaders were studied, as opposed to present leaders, because they were considered to be in a position to reflect on what they did and the effects their actions had on the environment and because they were easily accessible. These past leaders would be best positioned to see the full picture of their influence upon the culture from a longer-term viewpoint. In some cases, they may have shared the autobiographical nature of their thoughts with their peers and, in the process, had rehearsed their memories of the many years of organizational life. Also, as retired leaders, they were best suited to reflect on the most important components of the changes that they encountered, because short-term issues related to achieving quarterly results no longer bound them.

Bogdan and Biklen (1992) recommend that the researcher complete an initial inventory with selected candidates to ensure that sufficient information exists for appropriate data collection and analysis. I began by calling some of the executives I knew from Compass to inquire whether or not they believed I would be able to find qualified candidates. I also inquired about the legal ramifications, if any, for subjects who had signed confidentiality agreements with Compass. To my surprise, potential candidates were unilaterally supportive. Typically, they asserted that the study could make an important contribution. In many cases, my initial candidates recommended other people who fit my study criteria to be interviewed.

Seven subjects agreed to participate. These leaders were vice presidents, or senior vice presidents in marketing, human resources (HR), learning and development, research, manufacturing, law, and finance. The one female and six male subjects had 12-30 years of experience at Compass, 25-35 years of business experience, and had left Compass within the last 1-5 years. Some had already taken positions with other companies or institutions. Others had decided to formally retire.

Although the viewpoint of the subjects was based on their unique perspectives at Compass, as a researcher I made the decision to study a fewer number of people from the same organization rather than from a variety of organizations. I opted to have in-depth interviews in order to learn about the complexity of the subjects' experiences and exposures during change.

## Factors in Methodology Selection

### Rationale for Using Grounded Theory

Grounded theory methods are used to generate or discover a theory. A theory simply explains what a phenomenon is and how it works. It explains the phenomenon by identifying its main ideas or concepts and by stating the relationships among these concepts (Swanson, 1997). Grounded theory is the discovery of theory from data, systematically obtained and analyzed in a social setting (Glaser & Strauss, 1967). According to Creswell, the analysis process in a grounded theory approach is a zigzag process. The researcher collects data in the field and then analyzes the data. The researcher repeats the cycle by going to the field, analyzing the data, identifying what data still need to be collected or confirmed, and returning to the field. The number of times that the researcher is required to go into the field depends on whether the categories of information become saturated and whether the theory "is elaborated in all of its complexity" (Creswell, 1998, p. 57).

Grounded theory is appropriate because it: (a) gives voice to the respondents, representing them as accurately as possible; (b) discovers and acknowledges how respondents' views of reality conflict with the researchers; and (c) recognizes both the art and the science involved in the process and its analytic product. The rigor of the grounded theory approach provided me with a set of clear guidelines to build explanatory frameworks that specified relationships among concepts (Charmaz, 2000).

## Context

The subjects in the study were examined in a particular time and place, so that the descriptions they offered could allow for illustration of complexities. In other words, I was interested in the context. In order to illuminate the phenomena of what happened and why, I needed to provide a contextual analysis. I will use the label Compass to refer to this organization. Compass was examined in a heuristic manner; that is, a learning process was provided by going back and forth between the context of the environment and the leaders' descriptions of their experiences in the environment (Merriam, 1998).

The research applied inductive reasoning because the focus was on a contemporary phenomenon within a real-life context, namely the notion of change leadership during turbulent times. I found it useful to examine only one environment in a holistic way rather than studying several environments. It allowed me to investigate the boundaries between the phenomenon and the context, because the boundaries between the phenomenon of change leadership and the context were not clearly evident (Yin, 2003a, 2003b). My interest was to examine the interplay between the significant factors that contributed to the particular phenomenon of corporate leadership during turbulent times and to delve much further in order to pursue complex, situational themes (Stake, 2000).

It is important to remind the reader that this was not a full-fledged investigation of the Compass setting. Rather, I was looking at the norms, values, and material traits of the situation as events shifted during the turbulence. There were dramatic flips of power, huge changes in the culture, and structural and process changes that influenced the leaders in the study. As the research went on, it became more focused on a few of the contextual variables, but only after a careful examination of the theoretical context.

## Methodological Considerations

Grounded theory methodology proposes a fairly specific data collection strategy, including a "homogenous theoretical sample, a specific interview protocol, a common data collection approach, and specific ways to store the data" (Creswell, 1998, p. 113). My study followed the approach that Creswell recommended.

### Situating the Researcher

In this research, I held two roles: insider and outsider. My role as an insider was due to my professional experience working at Compass during its transformation. I knew from the outset that my beliefs required a systematic investigation. I held a position of authority at Compass (upper management in a global corporation). This document's Preface describes my work role with respect to the executives who participated in this research and situates me relative to the research as both insider and outsider.

One challenge in this research involved minimizing or eliminating extraneous bias in my interviews and data analysis. To ensure that I approached my subjects as open-mindedly as possible, I answered my own interview questions prior to the interviews, a sort of self-interrogation. A systematic analysis of my own experience allowed me to situate myself relative to the data I was collecting and to reveal the evolving viewpoints.

I was also an outsider to the research. First, I had held a director-level position rather than the officer-level held by my subjects. Second, I left Compass at least four years earlier than any of my subjects. At the time of the interviews, I was thoroughly engaged in working in another company. Many of the stories that subjects told me, although vivid, in retrospect were stories in my peripheral vision at Compass. Upon hearing them again, I knew I had a fresh, detached perspective.

Eisner (1998) describes the qualitative research process as one in which "the self is the instrument that engages the situation and makes sense of it" (p. 34). My interest in the stories as an outsider was to discover knowledge that might be useful in other situations. I believe that I was able to identify contributing factors that were pertinent to the theory and yet be objective to keep from imposing my own bias onto the study.

## Interview Protocol Development and Testing

Research design is the plan, structure, and strategy of investigation, which is designed to obtain answers to research questions (Kerlinger, 1973). Research studies that are qualitative are designed to discover what can be learned about some phenomena of interest (Walker, 1985). The outcome of this study was a generalization of results based on an analysis of the deeper understanding of experience from the perspectives of the participants selected for the study (Maykut & Morehouse, 1994). The design of a research study must account for several important questions, including the questions required to be studied, what data are the most relevant, and when the researcher should use a single case study, as opposed to multiple ones (Yin, 2003a, 2003b).

This study examined the leaders' behavior, experience, and meaning during a time of tremendous turbulence. Research questions were intended initially to uncover what leaders do in times of turbulence. But they evolved. As such, I became more interested in the meaning of change leadership during turbulence. To test the questions, prior to their use, I piloted a questionnaire by interviewing two executives from two other multinational companies to determine the relevance of the questions to executive experiences during turbulent times. Feedback from these two executives indicated that the questions were very relevant to discussions of turbulent times in corporations. The interview protocol is provided in Appendix A.

The data obtained during the interviews were very relevant for the development of the theory. However, I also made use of (a) archival documents that I had saved during my Compass tenure, (b) my field journal, and (c) my conversations with peers from Compass who experienced the changes at Compass during the same time period. Table 2 reveals the archival documents that I studied.

## Steps Followed with Respect to Grounded Theory Methods

Primary data were collected from incumbent executives at Compass, who had had a stake in the company over a long period of time. In that sense, they were very powerful. At the same time, they were operating in an open system facing multiple constraints—retaining their own jobs, as long as they reflected the interests of the company they were to serve—and managing through a variety of demands that were external to the organization, such as shareholders. Table 3 lists the steps taken to implement a grounded theory approach in this study.

## Data Collection

Primary interview data were collected from seven subjects who held executive positions in the corporation. The in-person interviews lasted between two and four hours. These executives held the power to make or influence decisions with life-changing consequences for employees. As such, I was careful to build their trust and have them recognize that I did not have any preconceived notions about the

Table 2

Archival Materials Examined During this Research

| Data Collection Source Category | Archived Materials |
|---|---|
| Academic Reading Literature Areas | ☑ Organizational development (OD) literature<br>☑ Business literature<br>☑ Sociology literature<br>☑ Adult theory literature<br>☑ Psychology literature |
| Business Materials | ☑ Crain's Chicago Business<br>☑ Wall Street Journal<br>☑ Investors Business Daily<br>☑ Business Week |
| Training Materials Developed | ☑ Leadership programs<br>☑ Motivation and coaching programs<br>☑ Professional development programs<br>☑ Quality excellence<br>☑ Executive Speaker Series |
| Conferences and Seminars | ☑ Hunt Scanlon & Associates<br>☑ Gallup Organization<br>☑ Executive Development Association (EDA) Network<br>☑ Training International<br>☑ Six Sigma Institute |
| White Papers and Surveys | ☑ McKinsey & Company<br>☑ Hewitt Associates<br>☑ FORTUNE Magazine<br>☑ Bain & Company<br>☑ Deloitte Consulting |

(continued on following page)

Table 2 (continued)

| Data Collection Source Category | Archived Materials |
| --- | --- |
| Thought Leaders and Facilitators | ☑ Kellogg Business School Faculty<br>☑ Amos Tuck Business School<br>☑ Chicago School of Business<br>☑ Harvard University |
| Archived Materials | ☑ Journals<br>☑ Memos<br>☑ Letters of recommendation<br>☑ Award documentations<br>☑ Performance reviews |
| Interviews | ☑ Executives from multinational companies outside of case<br>☑ Executives in the case study<br>☑ Fellow OD professionals<br>☑ Chief learning officers |
| Associations | ☑ American Society of Training and Development (ASTD)<br>☑ Corporate Leadership Council (CLC)<br>☑ Sales Executives Council (SEC) |
| Subscriptions | ☑ The Economist<br>☑ Harvard Business Review<br>☑ Development Dimensions International<br>☑ Newsletters from speakers sourced |

Table 3

Steps Taken to Apply Grounded Theory Methods to this Research

| Step | Activity |
| --- | --- |
| 1. | Wrote personal autobiographical sketch related to my career. |
| 2. | Reviewed my personal journals, archived materials, and white papers to identify relevant documents. |
| 3. | Observed, studied, and conversed with fellow leaders and executives from many other companies, as well as my own, about the relevance of the various change theories as well as change that was occurring in their organizations. |
| 4. | Conducted formal interviews of two executives, who were not part of the original study, in order to establish validity of interview protocol. |
| 5. | Visited subjects at their homes and had dinner prior to formal interview. Tape recorded formal interview for minimum of two hours each. |
| 6. | Transcribed tapes and wrote own tape-recorded reflections. |
| 7. | Began coding transcripts and used constant comparative methods to compare individuals' views, situations, actions, accounts, and experiences. |
| 8. | Compared data from the same individuals with their own data (a) at different points in time and (b) incident by incident. |
| 9. | Developed categories to assist in comparison methods. |
| 10. | Discussed categories of comparison with selected subjects and with other organizational theorists. |

(continued on following page)

Table 3 (continued)

| Step | Activity |
|---|---|
| 11. | Conducted a wide review of the literature from various disciplines, including organizational development, psychology, leadership development, adult learning, and business literature. |
| 12. | Reviewed additional literature related to emerging categories not originally studied. |
| 13. | Reorganized categories based on a further analysis of the quotations from the subjects. |
| 14. | Began composing the story of Compass and continued constant comparative technique to identify new themes that emerged. |
| 15. | Reviewed literature related to new themes. |
| 16. | Discussed themes with selected research participants to determine relevance. |
| 17. | Shared assumptions with selected professionals in the field of organizational development to determine whether other theories existed that were duplicative of my own. |

rightfulness of the decisions they made. I was aware of the multiple constraints that the executives experienced in their roles, such as (a) the need and desire to retain their own jobs versus complying with a culture with which they did not agree; (b) managing through a variety of demands that were external to the organization, such as stockholder and Wall Street expectations; and (c) functioning in highly political, stressful situations due to budget reallocations, organizational restructuring, and downsizing. I believe that the candor with which they told their stories was due to the fact that I had been a part of Compass myself, and they recognized that I could put their stories in the proper context.

I had designed my interview questions to be open and reflective. In other words, I was not looking for any particular version of the truth behind change leadership. Rather, I was looking for truthfulness and authenticity from my subjects about the changes they experienced during the turbulence. The leaders in this study were invited to tell life stories about their experience of turbulent change. For instance, they were asked how they adapted their managerial approach to the change situation and how certain events required them to muster up the courage to change or to advocate for a decision based on their own convictions. Further, the leaders were encouraged to relate their experiences of having to exercise authority during major inflection points of change that occurred in the organization. The narrative approach claims that by abandoning the attempt to treat respondents' accounts as potentially true pictures of reality, we open up for analysis the culturally rich methods through which interviewers and interviewees generate plausible accounts of the world

(Denison, 1996). Chase (2003) best describes the importance of stories and asserts that stories inform the relationship between the narrator and culture.

> If we take seriously the idea that people make sense of experience and communicate meaning through narration, then in-depth interviews should be occasions in which we ask for life stories. By life stories, I mean narratives about some life experience that is of deep and abiding interest to the interviewee . . . . Narration is a complex social process, a form of social action that embodies the relation between narrator and culture. (p. 274)

The conversations with my interviewees became more like exploratory dialogues. It felt to me as though they were co-investigators in the research. All interviews were in-person interviews and took place either at my home or that of my subject. Each interview lasted two to four hours. Audiotaping was used so that detailed transcripts could be prepared.

## Data Analysis

I began my analysis by coding the transcripts based on concepts found in the literature. Data were coded and analyzed using the Scientific Software Development Program, ATLAS.ti, version 5.2 (Muhr & Friese, 2004). The actual events as seen from each subject's perspective were noted, but rather than learning about the events themselves, I was more interested in hearing how different people discussed different views about the same situation, the actions they took, and their accounts and experiences. Also, I was interested in comparing individuals with themselves and checking for consistency of their point of view and then against different points of view from other leaders in the same context. I was looking for rational accounts of the reality, based on the subject's viewpoint. At the same time, I was interested in probing underlying themes. For instance, based on the events described, I looked to see if there were strong individuals persistently pushing to make the event happen, versus a more distilled account of collective consensus. Where some events seemed important, I looked for the less obvious events that were antecedents to decisions that were made.

Open coding was used for all the data sources, followed by axial coding and selective coding. Open coding required a line-by-line analysis of the data. The analysis used both in vivo codes (Glaser, 1992) and my own interpretation of coding. Using memos, journaling, and information mapping helped ensure that the coding was consistent. Axial coding helped identify the major themes from the data. These themes showed me that the data had been saturated, because the themes appeared across every subject studied. To help build the model, analytical induction methods were used based on selective coding. For instance, the model became robust as a result of selectively coding the quotations from my subjects a second time. The quotes helped the model come alive so that the level of abstraction required in a grounded theory methodology could be compared against the stories of the subjects.

Data analysis included coding which was designed to capture the subjects' ways of thinking, including my subjects' perspectives on people, processes, events, activities, strategies, relationships, and social structures (Bogdan & Biklen, 1992).

Coding was not the only data analysis strategy employed. Contextual analysis was also used. The analysis included the development of matrix maps, tables, and cause-and-effect diagrams that helped me grasp the concepts as a whole (Maxwell, 1996). Some of these tools will be provided as figures in the ensuing chapters.

After initial coding, I reviewed the code list, looking for similarities and relationships, ensuring appropriate distinction, eliminating unnecessary codes, and making sure all the codes had a unique meaning to me. I then put the codes into families. This step was an iterative process as well. It caused me to reconsider the codes and how they fit together, resulting in greater distinction between codes and families and more meaningful descriptions of both. For example, in the beginning of the open-coding process, I discovered approximately 170 codes. I clustered them into meaningful sets using an ATLAS.ti feature called families (Muhr & Friese, 2004) Table 4 summarizes results of the first iteration.

Later, families of codes were developed from these definitions and formed the basis of the four stages identified in the case study, as well as the behaviors of leaders that were representative of the leaders at each stage. A systematic analysis was conducted to ensure that the data were trustworthy. First, I listened to the tapes multiple times to find new meanings and interpretations. Second, I looked for unique perspectives of trusted colleagues in my field who were familiar with the subjects and/or the Compass environment. Third, I was conscientious in using a grounded theory methodology to ensure objectivity. I also reviewed the codes with my advisor, my friends, and the subjects themselves. By this time, I recognized that the grounded theory was not about my own experiences at Compass, but was truly about the data.

Table 4

Names for Families of Codes and their Definitions

| Code | Definition of Code |
|---|---|
| Courage | The strategies leaders used to ensure that their viewpoints were heard. |
| External signals | The rational, financial, and competitive changes that were identified as impacting the organization during change. |
| Influence of founder | The range of examples subjects used when describing the historical influence of the company founder. |
| Internal signals | The emotional, political, and concrete changes described by leaders that signaled significant change was occurring in the organizational culture. |
| Leadership characteristics | The descriptions that subjects identified as either problematic or effective traits that leaders exemplify during turbulent change. |
| Leadership strategies | The positive and negative approaches that were provided as examples of demonstrated behavior of leaders during change. |
| Shifts in thinking | The cognitive changes that leaders described as they went through the process of ongoing change. |
| Values | The artifacts of the organization that the leaders identified that were representative of the organizational culture. |

## Data Presentation

In this document, the names associated with quotes from each subject are provided with the quotations. These names are pseudonyms to protect the confidentiality of the executives. Appendix B lists the pseudonyms and the roles associated with each name. Likewise, fictitious names were given to the company, its founder, the chief executive officer (CEO), chief operations officer (COO), and the CEO's successor.

The population likely to be most interested in this study will be current researchers in the field of organizational development (organizational design, leadership in corporations), as well as researchers who are interested in organizational change within governmental, educational, or public institutions. I also hope practitioners in functional groups such as human resource, corporate universities, and organizational development, as well as policy makers in companies, may benefit from this research.

# CHAPTER 4

# THE STORY OF COMPASS

## The Context: The Early 1990s

Most of the respondents started working at Compass before or right before the Total Quality Movement (TQM) had just been introduced. TQM is a model developed by Deming (1986) to provide a framework for debate and discussions about measures that may lead to improvements in an organization (Nightingale & O'Neil, 1994). With the increasing globalization of markets and the liberalization of local economies, it had become necessary for businesses all over the world to develop competitive strategies that recognized quality management as their focal point (Madu, 1998). In fact, the decade had seen an explosion of publications on TQM that introduced a set of tools (Blazey, 2000; Brown, 2000; Chowdhury, 2001), as well as a new management philosophy that led to changes in the ways people and management worked together to produce significant improvements (Godfrey, 1993; Ernst & Young, 1990).

The interest in quality was especially critical because of the competitive advantage held by Japanese firms over their European and American rivals at the time (Hall, 1996). The philosophy was that quality permeates everything across the company, including a managerial strategy and a corporate culture capable of sustaining competition through quality practices (Conti, 1993). The quality philosophy meant that everything was measured, including: the rate of errors and defects in goods produced by the company (Crosby, 1979); the costs of rejects and repairs, warranty costs, and inspection and prevention costs (Oakland, 1989); the levels of customer satisfaction about service to the customer (Hoff, 1999); and the price level of the product and the degree to which the product is considered to be at an acceptable price for the customer (Broh, 1982).

The TQM philosophy impacted relationships with both customer stakeholders and employee stakeholders. The philosophy meant that even before a new product was invented and developed, the research and development engineers at Compass had to bear in mind the requirements of law and ecology (Ollila, 1995). Leaders became converted to the pursuit of quality as the single most important organizational objective for the company. As the company expanded, both the TQM model and its derivative, the European Foundation for Quality Management (EFQM) Excellence Model (Anyamele, 2004), were institutionalized at Compass. Figure 2 illustrates the EFQM model in its original and unmodified version.

The model is useful because it illustrates how quality was perceived at Compass, beginning with leadership and incorporating people practices, policies, partnerships, and processes to result in people results, customer results, and society results, which yielded key performance results. The model served as a reminder that every individual leader, employee, or supplier could make or break customer satisfaction. Implementing the model required valuing the contribution of the individual; everyone held the belief that we were all empowered to make the right decisions—from the top of the house (the CEO) to the worker on the factory floor. The term used at Compass to emphasize these notions was participative management.

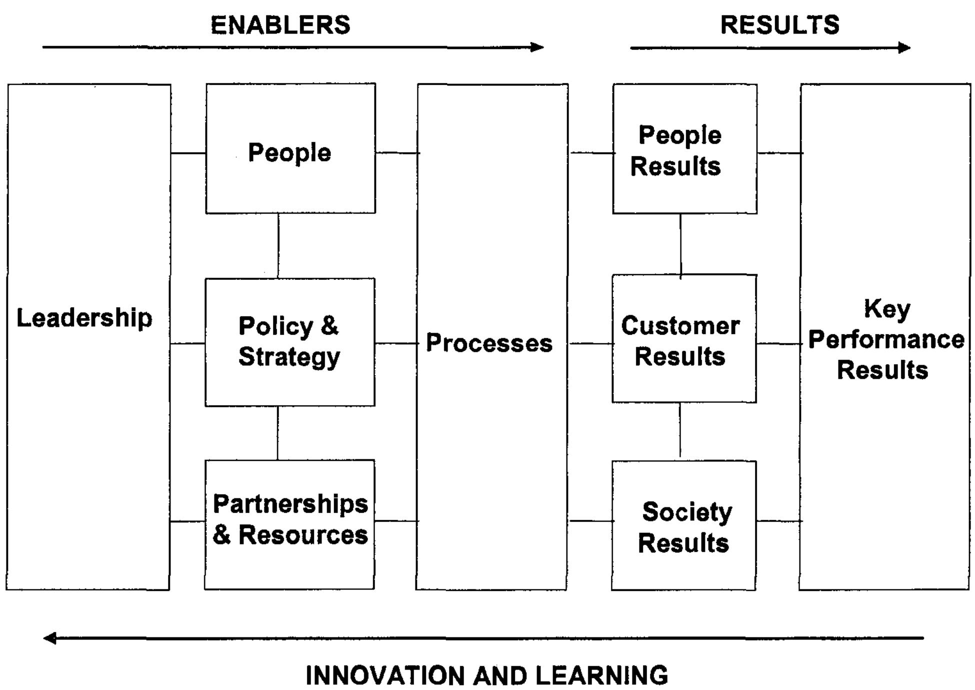


Figure 2. European Foundation for Quality Management Excellence Model.

Company core values were discussed throughout the interviews. All the subjects emphasized the important values of the company in the early 1990s that supported participative management. Seven of them are discussed here.

1. Policy and strategy called for treating people with dignity and respect. Company values were constantly espoused. Notions of loyalty, respect, empowerment, and innovation were part of the vernacular of every company town hall meeting,

inscribed on every plaque that teams or individuals would win for performance and spoken in everyday language.

> Compass had a culture that actually believed in the value of every individual, and that every individual needed to be developed and educated, and perform at world-class levels in order to compete in the world. And if you were unable to do that then, you shouldn't be there, but they would give you that option. (Zenglo)

> We trained over 3,000 manufacturing associates (in one factory alone) to have basic math skills and basic reading and writing skills. So rather than saying, "You flunked the test—you're fired!' we said, 'We're gonna be partners in helping you to improve your skills so you're going to go to school two hours a day . . . on company time." (Bob)

2. People beliefs: Diversity. Participative management also required treating each person with dignity, no matter their ethnic background, national origin, or gender.

> We really allowed for people who were "not the same as others" to be heard. It was the legacy of the CEO at the time. We wanted to be the premier employer, and then it was diversity, and setting up day care centers. I was really engaged in that, because I was one of the few more senior women leaders at the time. (Melissa)

> During the first 18 years of my tenure at Compass, the minority opinion really counted. So, if you were in a technology discussion, you asked for the minority opinion. You saw things very, very differently sometimes than your peers. But you were allowed to speak up. (Zenglo)

> I put different folks in different roles and tried to build the best balance. It's like putting on a symphony the right way. So, the trombone player maybe doesn't like the percussionist, but if you can get them to play beautiful music in the end that's what matters. (Malcolm)

3. Policy beliefs: Need to reward and recognize innovation. Participative management also meant practices that rewarded innovation and risk taking. Employees at Compass were encouraged to come up with better, faster, and cheaper

ways to serve the customer. We were a company of risk takers, who made big bets with technology and usually won.

> I came to Compass because it focused around technology excellence—a great drawing point. And they had farsightedness from a historic standpoint. They believed in the whole notion of changing the world, changing it for the better, doing great things. (Malcolm)

> And it was an unbelievable experience because once you got the structure the right way, it was like a rocket ship ride. And we rode this thing up, and we created the business. You know, when I got there that particular business was probably $200M in a year, and when I left the company, that business was about $17B or $18B a year! (Bob)

4. Leadership: Belief in loyalty. Because the company was investing in the people of the company, it made sense that loyalty was also expected and long service was valued. The culture at Compass was that long-term employees were important to the success of the company. In fact, at one point, employees' sons and daughters were encouraged to join the company or to be interns with the company during their college years.

> The people were hugely loyal to the company, almost as if it was a love affair. People bled [the company color]. They stayed with the company a long time. They grew up with the company. I know it sounds "corny" but everybody said it was like a family. Look at the friendships that you made, that I made, that we will never forget! (Jeremy)

5. Processes: Belief in high performance. The culture was performance-driven. The founding fathers of the company, although highly revered, held people accountable for performance and then richly rewarded high performance. "We fostered a performance-driven culture. We celebrated wins and rewarded performance." (Jeremy)

> I was very successful in establishing plans that I felt very good about, my team felt very good about, and my immediate boss felt very good about, and then executing with excellence against those plans. Sometimes it was doing very difficult things, but we consistently executed these plans, knowing there are higher purposes and greater challenges ahead. (Malcolm)

6. Partnerships and resources: Belief in social responsibility. In addition to being family-oriented, the company was also community and civic-minded, which included welcoming immigrants.

> We were a community that welcomed immigrants. If you look at every wave of immigration in the United States from the 1930s on, Compass was home to those immigrants, whether it be Russians, Vietnamese, Cubans, etc. We did a very good job of incorporating them into Compass, and usually three generations later, there were members of that family who were in senior management positions. I think that concept of longevity, loyalty, trust, played a big part. (Bob)

7. Policy and strategy: Belief in empowerment. Decisions were decentralized so that managers could make their own decisions for their own business, with the belief that each business unit or region of the country was closest to the issues raised by the customer or the employee and could therefore respond with a sense of urgency and understanding.

> We said to managers, "Look, we have a medical plan that covers X dollars per employee, but if you exceed that because it is a catastrophic illness or something, you can make the decision to pay those expenses, but you will have to do it within your own budget." I remember one of my more difficult decisions was, "Do I actually fund this cancer treatment for the son of one of my employees, which had already exceeded the million-dollar cap, and if I did, so then I need to lay off three of our employees? So, do you fund that individual or do you lay off three employees?" But the power was that it was my decision. (Zenglo)

> So, having good, well-grounded fundamentals, having good belief systems, having value systems that are in sync with the, thank God,

> with the corporation, because Compass, at least then, had great value systems, and having the ability to delegate, and trust both the success and failure of others, and then having the will to fail yourself if you were wrong, because you didn't have time to study it for three months. That was my modus operandi for my whole career. (Mike)

From the quotes related to each of these corporate values, it becomes apparent how proud the leaders were of their company. The company reputation, principles, and vernacular were well documented and supported. The values were the enablers for leaders to identify policies, people processes, and appropriate dealings with customers and suppliers. During this early period in the company history, it seemed as though all parts of the company were on the right course. Indeed, it felt like a healthy organization.

## Leaders Experience Turbulence

There were four phases of turbulence that the leaders experienced at Compass. These phases were sequential, and the rate of change heightened as each phase progressed. The ensuing portion of this study will describe each phase and the emotional and behavioral characteristics described by the leaders who were interviewed. Figure 3 depicts the phases and the external signals of marketplace conditions that occurred.

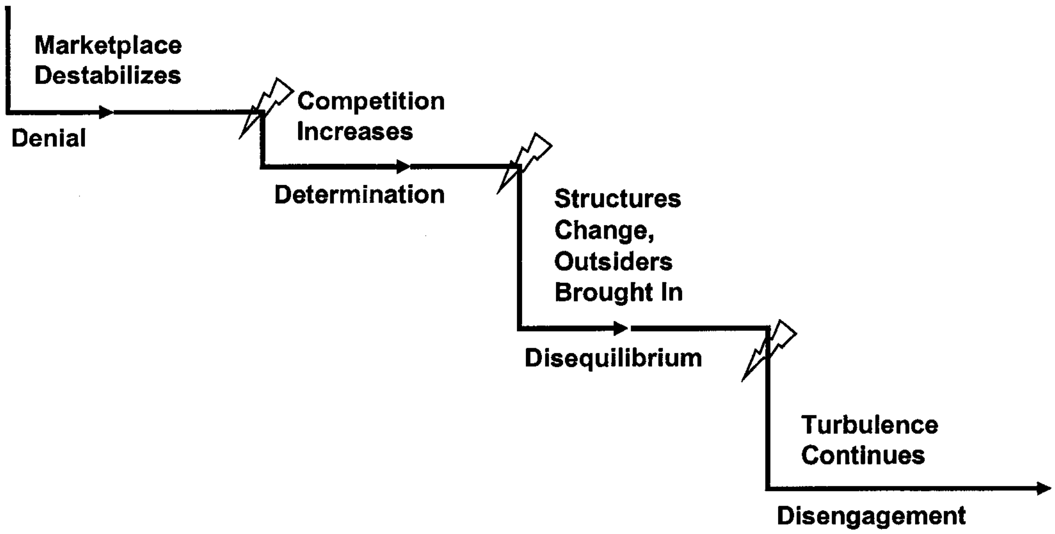


Figure 3. Phases of Turbulence and External Signals.

## Phase 1: Denial

Prior to the 1998 time frame, all the businesses at Compass were doing well. The company had expanded into a multinational company. It was known for its technological prowess and was described as a powerhouse of technology and research, with a well-reputed engineering staff and a deep supply of patents that seemed to position the company well for the future. But external indicators, such as changes in technology and heightened competition, were the markers of instability and should have been recognized by the leaders. Each of the subjects interviewed commented on these indicators.

> There were some huge external shocks to the system and, to name a few, we had several sizeable investments in R & D that did not work. Research and development had been seen as a huge growth platform for the company, and became a financial nightmare with many lawsuits. Then there was the Asian currency crisis, which destabilized the company overnight. Then there was the Dot.com bust, the Telecom bust, the Y2K bust, and the 9/11 shocks to the system. These shocks all compressed, it seemed, into a very short time frame. (Terry)

Another subject described the problems at the time: "We had naïve beliefs in foreign companies and governments that held loans with Compass. Some reneged on their commitment for payment" (Melissa). And, a third said,

> Compass had just come off an unbelievable drunken-sailor imitation. Remember how good things were? The stock had split twice. We had income falling out of the sky. And profits falling out of the sky. And then, overnight, the bottom fell out—not only for Compass, but for everybody . . . . We went from world leader to world loser. (Jeremy)

These changes were the external drivers to the first major restructuring of the company. The corporate restructuring that started in 1998 required the consolidation of some businesses, spinning off other businesses, and outsourcing certain functions, which caused a huge shift in the size of the employee base over an 18-month period. Approximately 10% of the workforce was laid off (a euphemistic way of saying fired).

The lay-offs were a shock to the company culture, because downsizings of that magnitude had never occurred before. Overseas market competition had increased considerably. Compass, which had been the only provider of the technology, suddenly was faced with a market of small companies making copy-cat products and marketing them at considerably less cost.

In spite of the huge external signals that competition was increasing at an alarming rate, leaders' behaviors demonstrated that they were unwilling or unable to pay attention to the market signals. Two behaviors that emerged were: (a) leaders tried to promote optimism through the use of a stated vision, and (b) leaders tried to establish their political position by emphasizing their power and decision-making authority in the organization.

## Leaders Promote Optimism

The promotion of optimism was accomplished, almost to the point of hubris, in the company with the belief that bad times may come, but surely we will prevail. Leaders ignored market data and demonstrated a lack of consciousness about the nature of competition, risks, and the size of the change that was required. The belief among the leaders was that Compass was so strategic and so successful that there was no end in sight to its growth. Leaders discussed the "hockey stick phenomenon" often taught in business schools, which touted that businesses can have a dip in profits, followed by a huge spike in earnings that can last for a long time. Ignoring the facts was apparent in most of the speeches that the leaders gave. Rather than talking about competition, lower profits, or potential business risks, leaders were expected to discuss the latest company vision and pepper it with notions of how the vision was aligned with the company values.

Optimism is evident in the description one of the subjects gave when recalling a conversation he had held with the CEO:

> I was called on to help with reorganizing the company (to put together disparate businesses into one mega business sector). One of my first

> comments was, "You know you can't put a multi-billion dollar gorilla (the mega business) in one place, because it's too much for one leader to manage." The CEO's comment to me was, "We're going to be a $100B company, and there will be five more of those!" (Terry)

> People's egos got in the way, because they thought they were in charge of everything and didn't want to listen to anyone who had, you know, a sense of "Let's look at it this way," or "What happens if the market doesn't materialize the way you think?" It was, "We're in charge; we're responsible; don't tell us what to do." (Malcolm)

> We were an organizational culture that was confident, constant, and to some extent, naïve. We treated people with dignity and respect. We talked about the long-term and values, and thought, "We'll talk about profits a long time off in the future." (Jeremy)

Strategic decisions involve a commitment of large amounts of organizational resources for the fulfillment of organizational goals and purposes through appropriate means (Shrivastava & Grant, 1985). Strategic decisions have an impact on many aspects and functions in the organization and influence its direction and structure in fundamental ways (Christensen et al., 1982).

Change leadership literature discusses setting a vision for the company and then cascading the vision through the organization with aligned goals, strategies, and tactics. Generally, this literature does not discuss decision-making processes because that content is its own very large body of research.

In the world of these executive leaders, there was a considerable amount of discussion behind the scenes as to whether or not the vision was well-defined, accepted, able to be executed, or even within their control.

> And things were changing because of Wall Street. I mean, really Wall Street is playing a huge part in organizational change and organizational leadership. Because now, they're getting intimately involved with your business, and letting you know what you should and

> shouldn't be doing, and now they are telling you, based on your stock price, what to do, and they want to know your strategy sessions. And they want to know the nitty-gritty details of your product lines, and what is coming out next quarter, and the next, and what didn't come out as you promised. And, all of a sudden, now we've got this whole new factor in business called Wall Street. And you wouldn't think of it as an organizational impactor, but it was huge.
>
> And Brian couldn't deal with them or didn't want to deal with them. It was really scary thing to work with them. And they were very unpredictable in what we thought they wanted. So we're making decisions, thinking Wall Street's going to like it, and then they didn't like it, and people were getting upset. And it became this big ugly thing that really we didn't have our arms around, and we didn't understand how it worked. And Brian didn't like them, and he didn't think they should be in our business that tightly either. (Melissa)

Melissa is discussing how Brian, the CEO, and certainly many other executives in Compass became disempowered because of external factors. The stock market fluctuations caused major changes at Compass and everyone in the company recognized it. In fact, the stock price was discussed almost daily among leaders because stock options were a big part of the reward system. At the same time, no one had a sense that they controlled the fluctuations in the price. Unfavorable coverage in *Business Week* or the *Wall Street Journal* would have leaders worried. Gradually, decision-making authority was being reduced because the CEO recognized a need to manage the business more tightly.

Although an analysis of the decision-making authority is not a part of this study, some discussion of the approach undertaken at Compass is required. Prior to the turbulence, Compass leaders had a great deal of autonomy in the decision-making process for their own functions; and in some cases, they used their power in a grandiose way.

Research shows that executives often use a filtering process based on their own management perceptions which influence the course of action or strategic choices that they need to make (Knight et al., 1999). The poet W. H. Auden once wrote that every genius possesses an essential error, some skewed distortion of reality that informs his work (Heil, Bennis, & Stephens, 2002). The error can be detected throughout his approach, but it is like “invisible weaving”; it may not be discernible at the surface (Heil et al., 2002).

A rational approach to decision making is assumed, and most decision makers do not rely on decisions just based on hunches or gut feelings (Keast, 1996). In fact, Mitzberg’s critique with rational approaches is that decision makers often deviate from rational approaches in significant ways (Mitzberg, 1973). For example, Mitzberg’s 1973 influential studies of what managers actually do, as opposed to what they are supposed to do, or what they say they do, showed that decision makers rarely, if ever, employ rational approaches (Sternberg et al., 2000). Instead, they typically grope along with only vague impressions about the nature of the problems with which they are dealing, with little idea of what the ultimate solution will be until they have found it (Mitzberg, 1973).

Executives deviate most strongly from rational approaches to decision making because of their propensity to act before all the facts are in (Sternberg et al., 2000). For Compass there was a period of rapid growth. It was assumed that the market was growing, and that Compass would increase its share in the market. Decision making included discussions related to product innovation, technological and operational efficiencies, customer service, and global expansion—in short, all the approaches that were considered critical for the times.

> In order for organizations to grow, or even to maintain their current sizes, business firms have to seek continually or continually invest in new marketable products, new methods, and new marketing, or even new ways of financing their activities. They have to invest in new facilities and adapt their organizational structure and staffing to new activities. They have to try to anticipate changes in the environment and the economy and that industry—that will affect the profitability of current and contemplative operations. As both product (and other) innovation and the unfolding of economic events are fraught with uncertainty, strategic decision making is a chapter in the topic of decision making under uncertainty—in fact, massive and unending uncertainty. (Simon, 1999, p. 133)

But, anticipating the future is not like forecasting the weather. In the case of weather forecasting, the consequences are not long-lasting, since the weather changes every day, and life goes on its merry course. Anticipating the future, on the other hand, calls for effectiveness in planning that requires accurate estimates of the time paths of new trends in order to provide adequate lead time for planning responses with ample resources. In an uncertain world, forecasting strategically must be informed with feedback, so that as time "squeezes out uncertainty" (p. 135), attention can be focused on the issues that really matter and the timing of responses can be adjusted.

## Leaders Establish Their Political Position

Political positioning was evident by leaders who had been running major businesses on their own, in a decentralized manner, due to the participative nature of the company. These leaders wanted to be the CEO themselves someday. They were making poor decisions, because they were trying to position their own business unit favorably. They were not interested in the success of the company overall.

> We made too many mistakes and part of it was by managers who refused to tell the truth in an environment in which managers were permitted to make key decisions. So when it became, I think, obvious that people had lied, especially about the change in technology, then the culture was forced to change and put many more constraints on management. (Zenglo)

> You know you had people who we thought someday would be the CEO who were among the biggest defenders of the status quo. And so they made really, really, really bad decisions. And then they rammed decisions down everybody else's throats. So, not only did they take their business down, but then they would take Business Unit A down, and then Business Unit B down with them, because they would kinda bully them into saying, "Don't second-guess me shipping so many units. You make sure you get those parts!" The folks in the other business units would say, "Look, we're not trying to do that, but here's the implication for the company. Are you sure you're gonna do that, and here's your run-rate. You say you're gonna do that, man? That means you have to produce this many new units over the second half of the year." And so there were some people drinking their own Kool-Aid you know. They just sort of, by the force of their will, they would make this happen, even against facts or mere facts. (Terry)

Both Zenglo and Terry are discussing the hubris that existed at Compass among some of the top leaders who were in charge at the time. They made decisions that disempowered the leader of one business unit because she had a bigger share of the customer base. At the same time, these leaders were pretending that problems did not exist, or in some cases were lying about the problem.

In listening to these executives discuss some of the mistakes of the past at the hands of other executives at Compass, I had to wonder if there was some sort of strategic blindness that had occurred in the minds' eyes of these executives. Hindsight has told us that, certainly, there were dire consequences that were a result of the decisions made at this juncture in Compass's history. One has to wonder, how could such powerful, privileged executives make or influence decisions with life-changing consequences for the company in isolation?

In fact, they were not working solely on their own behalves. Leadership involves a process of negotiation with other leaders. It depends on the willingness of some leaders, either as a result of pressure or inclination, to surrender, at least in part, to others who have the power to shape and define their own reality (Smircich & Morgan, 1982). They were working in open systems, facing multiple constraints—that is, retaining their jobs as long as they reflected the interests of the places they served, and as long as they could manage a wide variety of demands externally imposed on the organization (Moss-Kanter, 1983). Three powerful pressures played on these executives: the Compass Culture, the political nature of the job, and the individuals' own experiences.

Compass's culture included a participative, decentralized environment at the time. As such, strategic decision making involved multiple partisan members who had to interact over extended periods of time to reach semiconsensual decisions. This culture was partly due to the nature of the supply chain. One business unit supplied parts to another business unit for several strategic reasons, for example, the need for operational efficiencies as well as to ensure that no one business became disproportionately powerful so that it would drag down the rest of the business units at Compass.

Due to the business structure, strategic decision making involved technical problem solving, social adjustment, political bargaining and negotiations, and organization-wide communications (Shrivastava & Nachman, 1989). Thus, decision making depended more on group processes and cross-departmental or cross-divisional boundaries than on the behavior or interactions among two or three individuals (Mitroff & Mason, 1982). In many ways, the business units at Compass (at the time) looked like an organized anarchy (Cohen, Manion, & Morrison, 2000), in which ambiguity seems to obscure intelligible procedure in the decision-making process (Hickson, Astley, Graham, & Wilson, 1981). In organized anarchies, there is no guarantee that the solutions that are adopted follow logically from the nature of the problem. Rather, solutions may exist independently in the minds of decision makers—for example, as pet projects—and then be attached to problems as they arise, whether such attachment is logically appropriate or not. As Hickson and his colleagues tell it, "Solutions are looking for problems, rather than problems looking for solutions" (p. 175).

The second pressure to act was due to the political nature of executive decision making at Compass. Although there was an absence of controls in the environment at the time at Compass, it is difficult to infer the degree to which organizational outcomes reflect a leadership effect as opposed to forces outside a leader's control (Lieberson & O'Connor, 1972). For example, we do not know what might have happened at Compass had different men and women been the leaders at the time.

Nonetheless, leaders exerted dominance, because they were rewarded for it. Specifically, they were rewarded for achieving their business unit's goals more than they were rewarded for achieving the overall goals of Compass. We often lose sight of the fact that the directive autocrat is not some misanthrope or ogre, but merely a person who is paid to make important decisions, set the salient goals for his or her business unit, and direct subordinates (Muczyk & Steel, 1998). When organizations have more than one goal, the magnitude of restrictions on a leader's options may vary with the particular goal, and then the problem of rewards and alignment becomes more complex (Lieberson & O'Connor, 1972).

At Compass, we often would discuss culture and argue about whether the decisions that were being made, based on the change, were in line with the culture. The difficulty was in characterizing what the Compass culture really was at that time.

> I would argue that there's no such thing as "A Culture." I think a big, complex institution like Compass has multiple cultures, and it has cultures overlaying one another. So there's the culture based on the Founder, that was real, and also misunderstood and sometimes misinterpreted. There was the business culture, in each product group. There was the cluster of cultures that represented several business. There was the country culture, the corporate headquarters culture, the factory culture, the engineering culture. All these cultures have both positive and negative aspects to them.
>
> Underlying that, I believe that the heart of the company, George, was wise in that he knew that if the head of finance didn't do his job to beat the shit out of people to make more money, more revenue, more profit, then the company would not grow and be credible. And he let him do that. But, he also knew that if he didn't let the head of HR use the power of his office to maintain a culture of integrity and respect and mutual dependency, and all those cultural niceties, that we used to throw out, that he would have a crappy company. (Mike)

Based upon empirical observations, Miles and Snow (1978) described four strategic archetypes who represent alternative ways of adapting to change. These are defender, prospector, analyzer, and reactor. Prospectors are more innovative and willing to experiment with new ideas than the other strategy types. Defenders preserve their organizations through the use of remembering past norms and traditions that were favorable, and thus dominate present behavior. Analyzers base decisions on facts and data, while reactors are more inclined to make spontaneous decisions that are not data-driven (Hurst, Rush, & White 1989). The subjects in my study consistently described the leadership at the time as defenders of their proverbial turf, unwilling to listen to reason or adjust their strategy based on the data at hand.

The third reason pressure was placed on the leaders was that their experience told them that past success would breed new success. "The test of a first-rate intelligence," F. Scott Fitzgerald wrote, ". . . is the ability to hold two opposing ideas in mind at the same time and still retain the ability to function" (Tierney, 1992). What this mindset demands is an ability to manage ambiguity or paradox. But, because of the norms, values, and expectations the executives brought with them from their past experience, they were not indifferent about the type of explanations and predictions that made sense to them from the past.

The literature on attribution theory has noted that a person seeks to develop causal schemata that are not accurate but that provide an illusion of power and personal efficacy, which colors the explanations of actions developed and held (Pfeiffer, 1981). Such a predisposition is exacerbated by the executive's perceived intelligence based on his/her position and rank in the company. People easily can make the step from the existence of a reward system that pays executives large sums of money to the justification of why that reward is warranted (Sternberg, 2001).

The competency theorists, who study successful executives, repeatedly note the importance of the ability to deal with ambiguity as a competency needed by executives facing change (Collins, 2001a, 2001b; Hogan, 2001; Howard & Bray, 1990; McCall & Hollenbeck, 2002a; 2002b; McCall, Spreitzer, & Mahoney, 1994). Other theorists have suggested the importance of knowing the limits of one's own knowledge base and then trying to go beyond it (Sternberg, 1998). For example, Meacham (1990) maintains that an important aspect of wisdom is an awareness of one's own fallibility. Kitchener and Brenner (1990) also emphasize the importance of knowing one's own limitations.

The limitations imposed on leaders at Compass were not enough to stem the downturn in the business. As one of my subjects explained, his main regret was not having been more vociferous in warning fellow executives about his alarming recognition that headcount continued to grow in spite of the market signals that showed revenue was on a downward trend.

> Worldwide, yeah, we had about 700 sites, if you go back to Compass in the beginning of the new millennium. We took that down to somewhere in the 400s, when I was in that role. By the time I left, we were down to the 300 range. (Terry)

By the late 1990s at Compass, a new phase of turbulence was occurring. It was becoming clearer that the latitude the executives had previously enjoyed in their roles would be diminished due to the lack of leadership that existed in the company at that time. To be sure, Wall Street was a factor because market share was diminishing, but the leaders had caused much of the problem themselves, because a few of them had proven that they could not be trusted to make decisions that were good for the company as a whole. The lack of leadership focused on the overall company caused businesses to be centralized, layoffs to begin, and leaders to position themselves and their organizations more aggressively than had been present in the earlier years.

My experience, and the experience of my colleagues, was that as the businesses became more and more centralized, there was less of an opportunity to make a difference and to feel empowered to make decisions. As one of the subjects (Melissa) told me at the time, "We have been neutered and unable to make decisions for our people, and in front of our people. How tragic is that?"

A bureaucratic nightmare commenced. The routing of signatures was required for even the simplest of requirements to run a department. Structures that needed to be put in place with specific roles and responsibilities for headcount could not be completed because people were being laid off. There were initiatives assigned from the corporate headquarters that were imposed on the business units, irrespective of need. The global nature of the company further exacerbated the bureaucratic nature of the decisions. For instance, whereas one business unit or a certain region of the world may have been flourishing, it did not matter. The centralization of decisions meant that there was a one-size-fits-all phenomenon occurring and everyone was expected to comply. However, in spite of the limitations imposed on the leaders at Compass, the drastic changes were not enough to stem the downturn in the business.

## Phase 2: Determination

Unfortunately, turbulent change continued. Leading-edge new models that had been developed did not sell. The customers did not keep knocking on Compass's door as had been expected. A series of miscues had occurred. There were some R & D investments that did not work, which in turn put financial pressure on the company. There was a continual, marked increase in the number of significant competitors and technology was changing at warp-speed. Also, there was volatility in certain businesses that had heavy capital investments, which caused peaks and valleys in revenue generation, which put pressure on the profit and loss statements (P&L) that Wall Street used when evaluating the financial strength of the company.

> If you go back and read the business articles from 2000-2005, I don't think there was one article ever published about the CEO that was positive. One writer from the *Wall Street Journal* and one from *Business Week* just literally went after him. And so you could ignore that for so long, but regrettably, shareholders and your board can't. (Jeremy)

> We owned 80% of the marketplace, and we let it slip through our fingers by not recognizing the data that were in the desk drawers of engineers and senior managers that rejected it because they were making so much money. (Melissa)

Leaders began to recognize that incremental adjustments and fine-tuning of the current situation would not work. What was required were massive changes for the company's strategy, structure, culture, and processes. According to Hersey and his colleagues (1977), one of the distinguishing features of low turbulence is that change can be managed and contained, whereas in high turbulence, there are global pressures and structural changes in the organization that cause a deeply felt and pervasive change on the part of most members of the organization. At this stage, leaders at Compass had now been shocked into this realization.

## Structural Change Strategies

Three major structural change strategies were then systematically employed at Compass to change the organization. These were similar to the Three Strategies Model Moss-Kanter (1983) proposed as critical for change. The three strategies included: number-balancing, opportunity-enhancing, and empowering.

### Number-Balancing

The first strategy, number-balancing, included downsizing of the organization for the sake of efficiency (Moss-Kanter, 1983). One subject, from the finance department, remembered the first number-balancing strategy Compass took and identified it as an important point of introducing turbulence.

> Well, if we really look at, you know, the turbulent times, I think was 1998 is probably where I'd focus on turbulent times—when we took our first major restructuring of the company. So, relative to turbulent times, from a leadership perspective, you know that was really it. And, again, we took about a $2 billion dollar charge in '98 to restructure the company. (Terry)

As a result of the continuing problems, the finance department was asked to put together a restructuring plan. The job was to ask the following questions: (a) What synergies across the business units existed? (b) How could certain businesses be combined that would decrease the bureaucracy? (c) What redundancies were there across several business units such that cost savings could be recognized? (d) Were there any businesses that needed to be outsourced or sold?

Only a select few people knew about the restructuring because of the detrimental effect it would have on the employee base, on the press, and on the financial markets. The first restructuring was a big surprise to everyone because no one saw it coming.

> I remember one of the guys that was reporting to me had no regard for business performance. And, so we're talking about general salary increases. And, at the time Compass was doing about 2% profit. Okay? And, I say, "All right, what's your general salary increase recommendation for your regional team?" And he says, "9.5%!" I go, "Stephen, are you crazy?" and he says, "Well, we're going to lose everybody!" And I said, "Yeah." He goes, "No, we need the salary increase because we're competing with all these other regional companies who will steal our folks away." And I go, "Stephen, wake up! I'll give you a choice. I can go to Brian and say we're still working on the general salary increase proposal, or you can tell him yourself that you want 9.5%, and then I'll replace you after he fires you. Okay? Because right now, if you come to me with 9.5%, I'm going to fire you instead of him." And he just could not understand! (Jeremy)

Jeremy's story highlights two characteristics of Compass at the time. The first is the denial by one of the middle managers that the business was in trouble. The second is the attempt made by Jeremy to provide honesty and transparency in decision making and to help a fellow employee understand the urgency of the need for change. The traits exhibited by Jeremy are exactly those recognized in the literature on transformational leaders.

Due to the urgency of the situation, members of the finance community were only given a month to get approval from the board finance committee and then six to seven more weeks for implementation. As a result of their efforts, one large umbrella organization was created. "It was a whiplash effect. [People said] 'Hey, I've been here 30 years! Compass is not going to shoot me! I don't have to work any harder.'" (Jeremy)

Opportunity-Enhancing

The second strategy, opportunity-enhancing, involved the modification of how career paths were defined, through the use of technical job ladders for engineers. The purpose of the modification effort at Compass was to try and shift the focus of the engineers from an engineering mindset to a marketing mindset. The reason for the new emphasis was that it was thought that the engineers were out of touch with the marketplace and were designing products with many "bells and whistles" (a terms used for technical features that were embedded in the products), without a clear idea that these were features that people would care to purchase. In fact, the products had not been selling well to nontechnical populations. Therefore, the leadership decided that the best way to change performance was to change the reward systems in order to bring about change. In this case, the change involved a degradation of pay and title.

Malcolm and Bob talked about a program of recognition for engineers that was eliminated. Their story is a good example of how certain parts of the organization recognized that change had to occur while other parts tried desperately to maintain the status quo.

> There were a set of issues around the engineers and the ways in which they had been put on a pedestal. The Founder had put in place a set of structures to emphasize excellence in engineering; one of them was the Gold Badge Program. Once you had 10 patents, your badge was gold, but it was really quite a mark of distinction to be a Gold Badge Person. (Bob)

> The other thing that had been done was to establish the notion of dual tracks, so there were vice presidents of the technical staff, who had significant roles in the company. In a meeting, it was determined that this was inappropriate. They were going to re-badge everybody and abolish the Gold Badge Program. And at the same time, they were trying to reduce the number of vice presidents in the company, which had gotten out of hand. And one of the ways they were going to do that was to eliminate all vice presidents of the technical staff. Therefore, they were sort of abolishing the whole dual track system. (Malcolm)

### Empowering

The third strategy, empowering, required flattening of the hierarchy, that is, removing levels and spreading authority in certain parts of the organization (Moss-Kanter, 1977).

The flattening of the hierarchy started at the vice president level and eventually included director and management levels. I specifically remembered listening in on a conference call in 1999, which then-CEO Brian held with the company officers (vice presidents). In that conference call, he had to tell the officers of the company that fully 50% of them would be without careers at Compass within a year because of the global restructuring of the company.

Flattening of the organization affects members tremendously because it means that fewer people have decision-making authority and budget allocations. Employees who were once managers of large departments are often relegated to lower positions managing projects and programs.

## Transforming the Culture in a Proactive Way

Brian knew the required changes were dramatic. They would involve putting in place a new set of leadership behaviors, new policies, new product platforms, and new structures. The change he was seeking required a reconceptualization of the old to make way for the new, and hopefully, more productive future.

The CEO was using transformational leadership strategies that were well-known in the organizational theory literature at the time, even though organizational theory is a relatively young science (Else, 2004). The strategy is known as "frame-breaking," which means breaking some of the conventional wisdom of the culture to bring about a sense of urgency and a shock to the system. If successful, executives would foresee the need to instigate major changes in order to deal with anticipated environmental threats or to take advantage of new opportunities (Nadler & Tushman, 1990; Tichy & Devanna, 1990).

The challenge in transforming a culture in a proactive way is very difficult. The transformational leader is increasingly necessary because of the unstable, competitive environment that most business organizations face today (Tichy &

Devanna, 1990). However, unless there is a perceptible crisis to galvanize people to action, there is enormous resistance to change, resistance that does not show up until later in the process (Conger, 1989; Sullivan & Harper, 1997).

The leaders I interviewed were highly aware of the need to galvanize people in order to help them overcome resistance. They knew that they could not pray and hope that things were going to get better. The philosophy of the army that "hope is not a method" (Sullivan & Harper, 1997) was clearly in their minds.

At that point in time, the leaders spoke about recognizing the importance of (a) communicating effectively, (b) maintaining their own credibility, and (c) reaffirming the company values.

## Leaders Communicate Authentically

The leaders knew that they needed to be as honest and transparent as possible, knowing that some things needed to be kept confidential. They also recognized that they did not have all the answers. There were uncertainties and, in some cases, muddle-headed confusion on the part of the leaders, but they appeared officially as if these were clear-headed strategies that would position the organization for the next step.

Actually the changes were fragile ones. They needed to exist alongside the residues of an old system. Leaders described how they understood the gravity of the situation, how they tried to communicate using as much data as possible in order to appeal to both mind and hearts, and how anxiously they tried to help people get on board with the changes. In fact, when I asked my subjects about their definitions of change leadership, they all described concepts of communication that included the ability to bring others to a place where they would not naturally arrive by themselves (see Appendix C).

> You talk to the employees at the town hall meetings. You talk to them about what this means to them, and what it means to us, and quite honestly, we had to tell them at the time, what we didn't know. You didn't know at the time how it was really going to work out. We didn't have all the names of the people who were going away. We just kind of put targets out there. (Terry)

> You have to develop your own style around communication, and you have to accept the fact that staying the same is unacceptable. That's death—the longer you stay the same, it's only a matter of time before you start withering away. And so accept it. Embrace change. And then figure out a way that works best for you and don't hope that problems go away. They won't. (Melissa)

Being as visible as they were, these leaders knew that their very careers and, indeed, their very reputations rode on their ability to communicate the change and make their people get on board with the changes.

> It was a little scary, because you were kind of running. You were out there naked and you had never been there before. And the organization is all lined up behind you saying, "Ok, which wall do we knock down?" And sometimes there wasn't even a wall there! (Jeremy)

Whereas Terry and Melissa discussed how to communicate effectively, Jeremy spoke of the fear that many leaders have about suggesting that things may get better when they actually might get worse. The intrapersonal components of leadership are rarely understood because it is so unusual for a leader to express emotions such as fear, anger, or sadness openly. Instead, effective communication is emphasized. In fact, followers prefer an honest rendition of what the future might hold.

The culture at Compass at the time was a transformational culture. As such, there existed a sense of purpose and a feeling of family (Bass et al., 1987). Leaders espoused organizational goals and encouraged employee commitment to the organization's purpose and vision (Sarros et al., 2002).

Leaders' communication with the employees at the time was a genuine wish to be as honest and complete as possible in their communications with staff members. This candor in itself is an example of demonstrating the operating principles of dignity at work, namely, respect for the individual. The transformational leadership literature consistently reminds leaders to think back to the company's value system when communicating with their constituents (Tichy & Devanna, 1990).

The measure of a company's social responsibility is defined by how broadly the responsibilities extend—how completely the communication is between staff members and leaders, how safe it is to challenge your boss, and the willingness of employees to tell how they feel about a particular problem (Hollender, 2004). As leaders communicated, they used appropriate change management techniques. These included a recognition of (a) the movement of change; (b) the classic unfreezing-changing-refreezing stages described by Lewin and colleagues (Lewin, 1935, 1974; Lewin, et al., 1960); (c) the forming-storming-norming-performing stages described by Blanchard (Bensimon et al., 1989; Blanchard & Bowles, 1990); and (d) other key competencies, such as change management skills that include managing resistance (Koehle, 2001).

My subjects had an alertness for change fatigue, which is cynicism and burnout (Abrahamson, 2000). They recognized that the success of the overall change depended on the stability of the business involved and that everyone in the company had a part to play in the transformation.

## Leaders Maintain Credibility

Each subject had a unique reputation within the organization. Compass had a corporate reputation of social responsibility and belief in the individual dignity of each person. A corporate reputation is defined as a perpetual representation of a company's past actions and future prospects that describe the firm's overall appeal to all its key constituents when compared to other major rivals (Hemphill, 2004). A corporate reputation describes both the rational and emotional attachments that a company develops to achieve a net image of itself (Harmon & Jacobs, 1985). The subjects I interviewed at Compass described the reputation they were trying to uphold in all their dealings with their people. Table 5 briefly summarizes the roles and behaviors demonstrated by the leaders in this case, based on my professional experience working with each of them.

Thus, Bob, "the enterprise watchdog," described how he read every single reason for dismissal of each person who was downsized, because he felt he owed that

Table 5

Roles and Behaviors of Leaders

| Fictitious Name | Roles the Subjects Played | Behaviors Demonstrated |
|---|---|---|
| Bob | Enterprise Watchdog | • Models ethical behavior<br>• Objectively upholds the interest of the enterprise by putting aside emotions |
| Malcolm | Technical Wizard | • Focuses on driving change through technology<br>• Promotes excellence in all efforts |
| Terry | Strategist | • Continuously looks beyond the current year<br>• Uses financial data to predict business outcomes |
| Mike | Pioneer | • Takes calculated risks in order to make a point<br>• Looks beyond own area of interest to propose needed change |
| Jeremy | Trusted Confidante | • Conveys a simple, vivid picture of success<br>• Develops a culture of trust |
| Zenglo | Scout | • Relentlessly identifies and secures top talent<br>• Promotes development of all employees |
| Melissa | Diversity Role Model | • Aligns stakeholders, capabilities and resources<br>• Empowers others to achieve goals |

to the tenured people. Malcolm, "the technological wizard," described how he continued in order to promote excellence. Terry, "the strategist," continued to regret that he was not more vocal in suggesting that the heads of the various businesses did not listen to his concern about new people being hired, in spite of a downward spiral in the business. Mike, "the pioneer," used his ability to think counterintuitively and to be known as a person who was willing to be radical and made suggested changes. Jeremy, "the trusted confidante," relied on his reputation for people to come to him, even in the midst of traumatic business and personal changes. Zenglo, "the scout," continued his worldwide trips to find the best talent for Compass, firmly believing that would assist the organization in times of turbulence. And Melissa, "the diversity role model," stayed at Compass longer than she would have otherwise stayed in order to be an anchor for other women who felt disenfranchised by the company.

A leader's reputation is an interesting phenomenon. Each leader must serve as a role model and embody or exemplify existing group norms and expectations. During turbulence, new roles and new group structures are being formed which require initiating new directions for the group's activities. Thus, leaders must be both initiators of new norms and expectations as well as modifiers of old norms (Fiedler, 1971). This dual role can create conflicts in their minds and in the minds of their followers.

In responding to this dilemma, Hollander and Webb (1955) identified an intriguing and theoretically important role that a leader must play during these times. They point out that the leader must first gain the confidence of group members by his/her conformity and achievement. In this manner the leader earns "idiosyncratic credits" that allow the individual to depart, occasionally, from group expectations in order to play an unexpected role during change that calls for more creativity and new methods.

In describing themselves at this point in time, each of the leaders talked about not wanting to be perceived as being a cookie-cutter leader. Rather, these leaders were intent upon maintaining their respective reputations, using their strengths to help others, and ensuring that followers viewed them the way they wanted to be viewed. They were trying to create a new future for their followers rather than simply being maintainers of the status quo. These leaders were used to having a vision for their organization and enacting strategies for that vision.

But, during turbulent times, many circumstances are out of a leader's control. Leaders find themselves to be neither controlling nor being controlled. As Drucker (1995) maintains, this leadership quandary or paradigm will be a constancy of the corporation. Unfortunately, since the organization had lost so much momentum in the marketplace, these leaders' reputations suffered, and they described their capabilities as a leader dwindling during these difficult times.

> Well the first time when you communicate these changes, it's kind of new. But once you get people stabilized, it's Ok. But when you go through another one in 2000, and another one in 2001, and another one in 2002, people start to question senior management. "Do they really know what they're doing? Can I believe anything I'm being told?" The credibility of the organization (and by extension the leadership) was seriously questioned. (Terry)

Leaders Reaffirm Company Values

Last, leaders in this stage described making significant attempts in all of their decisions to reaffirm the company. They knew they had to make decisions about hard assets of the company (including payroll costs and capital expenditures), and they knew that the impact on people below them would be significant. These leaders had obtained their positions partly due to political savvy and relationships and also by recognizing the signals in the organization that required success. Up to this point, company values and principles had stood the test of time in their careers, and so the decisions they made were based on company values and principles, specifically those that had been taught by the company's founding fathers.

At Compass, the company's founding fathers loomed larger than life. They were quoted consistently by my subjects, and the Founder's philosophies permeated the company at every level. As companies grow, the growth is accompanied by a crisis of leadership that occurs at each succeeding growth stage (Greiner, 1998). The first stage is dominated by the founders and the emphasis is on creating both a product and a market. Founders are usually entrepreneurially oriented and devote mental and physical energies to growing the company. Informal communication strategies are implemented and company leaders are dedicated to affirming the founding father's direction. Thus, the construction of a company story emerges that makes the future seem to grow naturally out of the past in terms compatible with the organizational culture (Moss-Kanter, 1983).

In conceiving of a different future, leaders must be historians as well as futurists. These incumbent leaders were the linchpins for change. They connected the company's past with the company's future, something that the now-in-charge newcomers could not do. Through reconstructions of the past, the incumbent leaders could review issues with their people and help their constituents see future possibilities. When the reconstruction is done in a meaningful and authentic way, it can make a continued construction of the new foundation possible.

The analogy of people in charge of fighting a wildfire is a useful one here. The wisdom of experience among firefighting crews is the maxim, "Never hand over a fire in the heat of the day" (Weick, 2000, p. 41). What this maxim means is that when a departing crew hands over a fire to an incoming crew, they should do so when it is easiest for the incoming crew to understand what is happening and step in and continue the strategy used by the departing crew. The easiest transitions normally take place at night, when there is typically less wind, higher humidity, and cooler temperatures which can stabilize a fire and make it more predictable. By contrast, in the heat of the day, the fire is at its most dynamic and most volatile, which makes it harder for the incoming crew to catch up to its rapidly changing character (Weick, 2000).

The leaders at Compass had an understanding of what had happened in the past, and what might have been lagging behind, which could cause the new change effort to be difficult to properly adjust for a rapidly developing situation. They had a habit of considering the events from the light of their own grounds and consequences for the events which were based on the company's founders' values. They knew that every act of business had a social consequence and would arouse public interest (Harmon & Jacobs, 1985), and that whatever decisions they made would be scrutinized, particularly decisions that were as excruciating as the downsizing of a large part of the company's workforce.

According to Schein, a founder's beliefs and values are taught to new members, and, if validated by success (e.g., organizational survival instead of failure), the members of the group undergo cognitive transformation and these beliefs become assumptions (Schein, 1983). A dynamic interpretation of that theory is that, in the case of Compass, the culture is discussed and socialized with members in very mundane terms and in everyday life (Hatch, 1993). Thus, change was described in Compass concepts or terms that the employees had heard before, with concepts such as empowerment, participative decision making, respect, and loyalty.

Concepts of empowerment and participative decision making are best implemented when the organizational structure is decentralized so that decisions can be made across levels and divisions. The notion is that when power to make decisions is given to all organizational members and the authority to make decisions is dispersed throughout the organization, then employees are more productive, more satisfied, and more committed to the organization (Arad et al., 1997). Due to financial constraints, instead of remaining decentralized, Compass was becoming more and more centralized; decisions were largely out of the control of many Compass leaders.

There was a desire on the part of incumbent Compass leaders to ensure that the founding fathers' family values were maintained. Research into how cultures are maintained reveals that companies with strong founding fathers frequently go to extraordinary lengths to ensure that the culture is maintained and controlled. Such actions may lead to what has been labeled as an escalation of commitment (Harris & Ogbonna, 1999), which refers to the tendency for decision makers to continue courses of action, even in the light of evidence that suggests that such courses of action may be failing. Escalation bias is more likely: (a) if entrepreneurs have founded the company; and/or (b) when business leaders expect to use their own skills to maintain the culture or are overconfident (Harris & Ogbonna, 1999).

Apparently, escalation bias was the case for the incumbent Compass leaders who were desperately determined to affirm company values of loyalty, dignity, and respect—at the risk of what a more ruthless business approach would have dictated. For example, rather than firing a huge number of people in one large downsizing move, the company leaders decided to go slowly, with the hope that they could keep as many people as possible.

> I think one of the reasons it took us so long to get through it was that we were trying to do this quite surgically as opposed to, you know, the butchering state of mind. And at the time we probably moved too slowly. And so rather than just sort of taking even bigger hits, and restructuring too quickly, we thought, "All right, if we do this we think we'll be fine." Well, we did it, and we weren't fine. "Well, if we do this we think we'll be fine." And so we were dying a death by 1,000 cuts, as opposed to sort of an amputation to save the life of the person kind of thing. So, I would say in the values system of the company, and particularly of the Founding Family, was to keep as many people employed as possible so they would tend to go slower than they really should have. (Bob)

> We were looking at one business group, and seeing worldwide it had over 30,000 employees and was making 1% after tax profit. And we understood the line items that go into a P & L [profit and loss statement] and how they interrelated to one another. Instead of saying, "Oh no, you can't ever lay anybody off because George might not like it" because that was the culture at Compass, at least the perceived culture—I didn't say that. I said, "We've got to make this business successful so that 25,000 people who remain have vibrant careers, and who can make money and grow and develop. That means we have 10,000 people too many, just do the math" And, the head of the business said, "Ok, let's get rid of the 10,000 people in the next few months." And, I said, "It's not that simple. You have three guys on your staff who are fighting like cats and dogs, and they're all brilliant guys—but two of them gotta go too. You've got three guys vying for your throne. There should only be one successor." So we started there, and it took longer, but in the end, we did it the right way. (Mike)

These heartfelt attempts on the part of the incumbent leaders underscored how deeply committed they were to the company they were serving. They tried to maintain resilience, understand the leadership role they needed to play, and be sensitive to how the changes were affecting people's lives.

At this stage, a leader is trying desperately to maintain the status quo. This stage best signifies what the authors in the literature on change discuss. Leaders try to communicate the changes effectively and maintain their credibility as leaders.

## Phase 3: Disequilibrium

As the decade progressed, turbulence continued. Shareholders were aware of every nuance in the market, and the news media reported the earnings and losses of companies daily. Wall Street analysts were not happy with Compass, and the CEO was under siege. Up to this point, he was known in the business press for discussing philosophical concepts such as dignity and leadership rather than for business execution or profit improvement. The board of directors, the shareholders, and the employees themselves were calling for change.

Change leadership implies that new ways supplant old ways in a bold and coherent fait accompli. The implication is that, somehow, you step from the present into tomorrow in one move. Organizations are very complex, however, and the definition of turbulence for this study was the degree to which change causes an ongoing and destabilizing condition in the organization and requires new mindsets for the individuals involved. In the case of Compass, the degree of change was significant. Leaders were expected to bridge the destabilizing conditions in a demonstrable way and thereby establish a foothold for the future. They were expected to reinforce the necessity for transformation to their followers and thereby increase support for it (Sullivan & Harper, 1997).

## New Leaders, Radical Changes

To bring about the required changes, the CEO hired new people into key positions. These were people who saw things very differently from the incumbent leaders. They regarded the tenured leaders as people who had not positioned the company appropriately and who were out of touch with reality. The newly hired leaders believed that the required change needed to disrupt the very tenets of the company, including the company value system, heretofore, held sacred.

At the time, the new "Darling of Wall Street" was Jack Welch, because the profits he had enjoyed at General Electric (G.E.) were then legendary. My subjects believed that because of Compass's poor performance, the CEO was disproportionately influenced by a small cadre of leaders, mostly new hires from G.E. Jack Welch had been the CEO of General Electric for 20 years and had increased the market capital of his company by more than $450B. Welch had established himself as the most admired business leader in the world (Welch, 2001). He also had championed initiatives like Six Sigma quality (a TQM approach followed by Compass), globalization, and e-commerce strategies (Welch, 2001).

The obvious question was, why had Compass not been able to accomplish the same market feats? After all, both companies were supposedly under the same environmental and competitive challenges. It was thought that it was simply a matter of execution.

Execution, in the minds of the new cadre of leaders, meant running the business—not just formulating a vision and leading the work of carrying it out (Bossidy & Charan, 2002). Execution included: (a) having robust dialogues about people, strategy, and operations, based on intellectual honesty; and (b) taking a realistic, rigorous, and demanding look at every aspect of Compass's business. In short, the new leaders wanted to look under every stone that had built the edifice of the company, just as incumbent leaders had done during the early years of TQM, when a systems-thinking mindset (Senge, 1990) had been initiated.

The small cadre of leaders who were hired believed firmly in the G.E. model, which was dramatically different from the model that Compass had used. The CEO assiduously followed many of the precepts of the G.E. model that this small cadre would propose. The change was akin to having a new presidential cabinet after the alternative party platform is put in place. It was out-with-the-old-and-in-with-the-new.

## Restructuring of the Business

In the new order the first, most obvious, and dramatic change was in structure—in both the number of businesses that were being managed (regionally and globally) as well as significant hierarchical changes. These changes were in line with the G.E. model that proposed an organization should be either the number one or the number two in a business market, or the business should get out of that particular market. This new structure forced some executives to resign, others were asked to leave, and some were systematically ignored or disenfranchised. Figure 4 illustrates how significant hierarchical changes were being made.

## New Approach to Succession Planning

The second, significant part of the G.E. model was the introduction of a stack-ranking process for succession planning. It included the determination of which leaders were considered the most highly ranked among their peers, based on potential. Leaders were categorized into groups based on overall effectiveness. The upper 15%

were ranked as high potential, the middle 70% were ranked as solidly effective, and the bottom 15% were ranked as ineffective and were likely to be dismissed. This new system was introduced, not just for the officer level, as had been done in most companies at the time, but for the whole organization, including managers and lower-level employees.

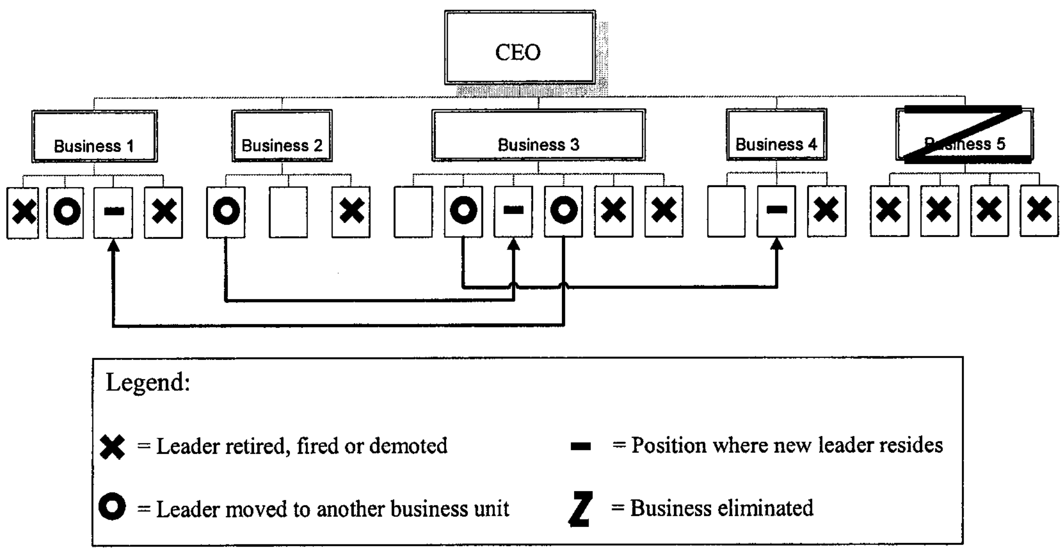


Figure 4. A Depiction of Structural Changes.

## Different Performance Management Methods

The third major change was a performance management methodology that included a significant shift in how goals were cascaded throughout the company. Although performance management techniques had been in place for a long time at Compass, the new approach was much more directive and allowed for very little variation. Goals were cascaded from the top of the hierarchy to each succeeding level below, and employees were measured in a very specific way as to their ability to be compliant with the cascaded goals.

## Incumbent Leaders React to the Changes

Implicit in all these changes was that the Compass the leaders had known and loved no longer existed. Posters, company philosophies, vision and mission statements, and, indeed, the very values of the company were now considered outdated or impractical for positioning the company for the future.

At this stage, incumbent leaders (a) recognized the shifting alliances and values, (b) challenged fellow leaders appropriately, and (c) asserted their own relevance.

The literature on change that I examined does not address these particular behaviors, except for McCall's work on executive behaviors that derail leaders later in their careers (McCall & Hollenbeck, 2002a; 2002b; McCall, Lombardo, & Morrison, 1988) But, McCall's examples were extreme and not pertinent to either the people I observed at Compass or the leaders I interviewed. So, I propose my own analysis and use other pertinent literature in this section.

Leaders Recognize Shifting Alliances and Values

The incumbents became very cognizant of shifting values in the company. They assessed the value system inherent in the new policies that were proposed, as well as the value systems of the new leaders themselves, who were now in power. This small cadre had a low regard for the Compass culture, and for the most part, acted suspiciously of the incumbents' abilities. In fact, as new structures were put in place, incumbent leaders had to reapply for their own positions as if there were external candidates, to prove that they continued to deserve their leadership roles.

My subjects, who were long-service incumbent leaders, described a hierarchical structure with the new players acting in a quid-pro-quo arrangement whereby certain leaders were given access to (and therefore the ability to influence) the CEO if they conformed to the new model, while others were completely marginalized and unable to have an impact. One person, who had gained access to the CEO, was described often by my subjects as having an inordinate amount of influence in the decision-making process. He was perceived deadly for the organization, according to one of my subjects, who described him as follows:

> I sometimes think of him as Rasputin, or something like the guy behind the Czar whispering in the ear of the leader. He would present proposals as a fait accompli and we would be totally blind-sided when we would come into the meetings afterwards. (Malcolm)

> I also believe that, when George led the institution, he surrounded himself with people who were there to help him succeed. I think that what happened to Brian at the time was he surrounded himself by people who wanted his job, and did not necessarily want him to succeed. I remember those people who were brought in from the

> outside and my thought was, "they aren't here to help you, Brian, as much as they are here to help themselves." (Jeremy)

Particularly egregious in the memories of many of this study's subjects were both the new succession management technique of stack-ranking and the performance management philosophies. Those interviewed described the changes as shocking, obliterating, diminishing, feeling totally vulnerable, tragic, and horrible. The new value system that was apparent with the new regime was counter to everything the incumbents believed in. The following quotes are a representative sample of the militaristic nature of the new world order that the incumbent leaders were experiencing.

> The role of HR at Compass was to represent the employees and to hold people accountable for leading people. And by the time you got into the early 2000s it was basically a control organization, split into a personnel operation, which was to simply make sure people got paid and laid off, and that type of thing, and there ended up to be a kind of a development group that was there for only about 1000 people rather than about the 100,000 who were still there. (Zenglo)

> HR went from being the employee advocate in the 1970s, to the business partner in the 1980s, to the organizational change agent in the 1990s. We were mandated to create a competitive advantage. We were asked, "How much value do you create?" I think we went from being "social workers" to "business partners" and we had more financial accountability. (Jeremy)

> And the other thing is you have to get rid of the bottom 25% every year. And to me that was very frustrating. People were rating people who didn't know those people at all. And so you were taking someone who could have been a very good contributor, and you were just putting people together and literally demoralizing them. And to me, the culture went from emphasizing what you did well to stressing what you don't do well. And so you went from a motivated workforce to a very de-motivated workforce. Also from a culture where everyone was important, to one where only a few people were important. And that was huge. (Melissa)

Shifting alliances among the new leaders who now were in charge was also noted by the incumbents. They could see which leaders had been given key positions in the new structure as well as which leaders had been marginalized by the changes. The incumbents consistently tried to determine if they respected the new boss enough to work for that person and if their value systems were aligned. The incumbent leaders complained that empowerment, innovation, creativity, and quality had been systematically stripped out of the organization by the new regime.

> I didn't have respect for my new boss because of his behavior and values. He knew that, and now he was my boss. So, at a personal level, and at a strategic level, discussions of centralized versus decentralized structures, differences in the importance of technology versus technology isn't important at all, very fundamentally we were not on the same page. (Malcolm)

> The early years were about improving quality, implementing lean manufacturing, meeting real customers, and talking to them about what was important. By early 2000, it was, "you're bad, and you won't change—Bang!" (Zenglo)

Long-term service, which had once been viewed as a positive proof of loyalty and value, now was viewed as detrimental to growth. Commitment to the local community now was replaced with decisions based on where the best tax incentives were offered. Innovation, quality, and customer satisfaction—previously considered crucial to success—were now regarded as less important than cost containment and shareholder satisfaction. Long-term investment decisions that were measured with 10-year plans were of no use. They were replaced by investment decisions that seemed to be based on quarter-to-quarter profitability and margin improvements.

According to Drucker (1969), the idea of a corporate society is unprecedented in human history, in its structure, its tensions and problems, and its capacity to perform. Tensions include the community's need for continuity and stability versus the organization's need to be an innovator, and thus a destabilizer. Tensions also exist across the many constituencies that the corporation serves—customers, employees, communities, shareholders, and society at large. For example, the employee's need for financial security and personal privacy had to be balanced by the company's need for performance and profitability in order to continue to exist in the competitive arena. The tensions were evident as the leaders I interviewed attested:

> The biggest change was what I would call the concept of time. Instead of thinking as people did in the '70s and '80s about decades for investment, by the end of the 20th century, we were really talking about quarter-to-quarter profitability margin improvements, etc. This meant we drove basically tactical decisions rather than strategic. Also, as you did that, you really went from an organization that was trying to be participative, and basically meant to free people up to participate, back to the kind of military organization of "I'm the boss, I will tell you what to do, and we need to execute this very, very quickly." You were doing all this in a global organization which is much more difficult than you would do in a domestic organization. The last thing is that the analysts, the 26-year-old analysts, who gave you your report card in the public market place every quarter, seemed to be able to dictate where the business was going to go, and what it needed to do, rather than having the ultimate shareholder, or the employees or the customers dictate direction. (Zenglo)

The shift in values was further driven by competitiveness among individuals, something rarely seen before at Compass. Market conditions and downsizing had contributed to this phenomenon. Also, the new stack-ranking approach exacerbated internal competitiveness, because only a few people were considered to have high potential. Notions of loyalty changed. Rather than being loyal to your department or functional head, we were told that we each had our "own brand"—that we should each keep up our resumes as proof of our mobility and ability. Hearing recommendations such as these only emphasized, in the minds of the incumbents, that the new leaders did not care about Compass. In the long term the new leaders were more concerned about their own careers.

Figure 5 represents the shift in values that was witnessed at Compass. The vertical axis represents a style of decision making, and the horizontal axis represents a continuum of values (orientation) that emanates from a focus on the community (societal focus) to a focus on economics (market or business performance).

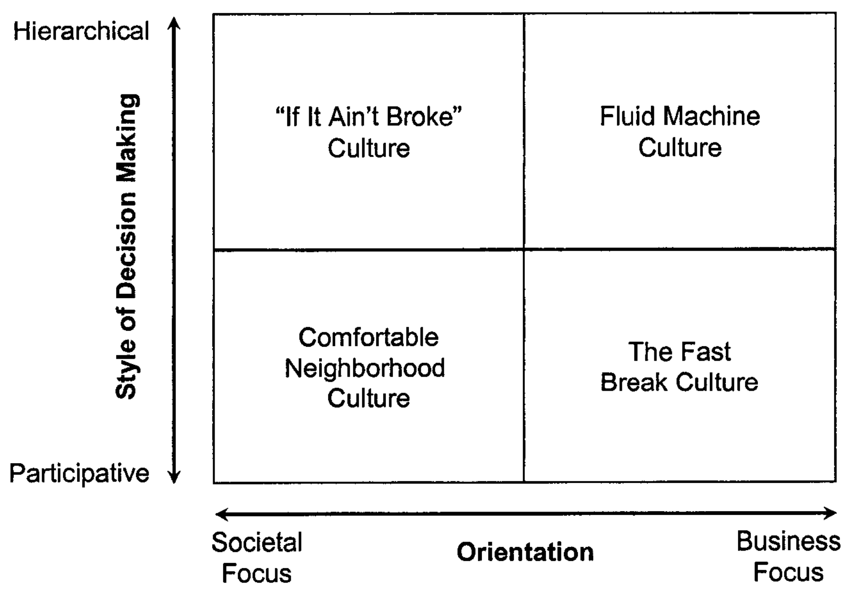


Figure 5. Company Cultures as a Reflection of Values.

The model is a modification of the work done by Hersey (1977), which he used when discussing change readiness. This model emphasizes the shifting cultural values that occurred at Compass.

Basic assumptions regarding the organizational commitment to people and the demands of the external environment are reflected in each quadrant. I have named each quadrant, as if it was a culture, to illustrate the nature of the values that are displayed in each culture.

The "comfortable neighborhood" is the name appropriated to illustrate the type of culture at Compass until approximately 1998. There was a long-term, strategic focus in the company; company values reigned supreme. The company had many people-centric practices, a highly decentralized structure, and a growth pattern that suggested dramatic change was not necessary. Assumptions that are part of the "comfortable neighborhood" include: (a) a focus on quality, customer intimacy, societal responsibilities; and (b) a belief that customers, suppliers, and employees will also act with integrity and good will.

The "If it ain't broke culture" is a well-planned, bureaucratic, stable organization that also operates in a state of low turbulence. The post office system, prior to the emergence of Federal Express (FedEx) is an example of this type of culture. As a rule, employees could count on a fixed salary, based on a just wage, from one year to another—without fear of lay-offs or changes in structures or revised job expectations.

The "fluid machine culture" operates in a fast-paced, impersonal environment where business reigns supreme. Employees may come and go, but the company is so efficient that it can maintain itself, without regard for loyalty or the longevity of people. Companies in this arena can count on a short-term strategy; they make changes quickly based on market conditions. Long-term employment deals or sustained developmental programs do not exist.

The "fast break culture" is a super-fluid, extremely adaptable company that can run efficiently in changing times. The company structure is analogous to that of a basketball team, which can toss the ball from player to player at break-neck speed, if required for business purposes. Like a basketball team, there is a sense of the importance of each player.

This model illustrates how one company's culture is diametrically different from another's—particularly if one moves diagonally. For example, the "comfortable neighborhood culture" is more significantly different from the "fluid machine culture" than when compared to the "fast-break culture." Company culture is important to remember when organizational change agents are trying to help an organization succeed with transformation. In the case of Compass, the executives were asked to move diagonally, rather than to the adjacent type of organization. Moving diagonally caused a dramatic shift in the key principles that were espoused in the company.

Table 6 illustrates how significantly the mindset and orientation of the various organizational entities in the model differ. Most of the variables at Compass had changed from being those represented in the "comfortable neighborhood"

Table 6

Variables to Consider in Corporate Transformation

| Components | Comfortable Neighborhood (A) | It Ain't Broke (B) | The Fluid Machine (C) | The Fast Break Company (D) |
|---|---|---|---|---|
| Driven By | Processes and values | Competition | Processes and controls | Market rules and competition |
| Investment Decisions | 5-10-year viewpoints | 3-5-year viewpoints | Annual view | Quarter by quarter |
| Emphasis | Innovation and loyalty | Growth and control rules | Cost-containment and loyalty | Marketplace rules and cost-containment |
| Trade-offs | Sacrifice short-term profitability for long-term sustainability | Sacrifice buy-in for long-term sustainability | Sacrifice long-term investments for employee satisfaction | Sacrifice long-term sustainability for short-term profits |
| Stakeholder Priority in the Value System | 1. employee<br>2. customer<br>3. suppliers<br>4. shareholders | 1. customers<br>2. suppliers<br>3. shareholders<br>4. employees | 1. suppliers<br>2. shareholders<br>3. employees<br>4. customers | 1. shareholders<br>2. suppliers<br>3. customers<br>4. employees |
| Company Commitments | Long-service employees valued for loyalty | Long-service employees valued for stability | Long-service employees viewed as detrimental to growth | Employees valued only for performance |

organization to the "fluid machine" organization, which was, indeed, a dramatic shift for the incumbent leaders.

The model is useful for organizational change consultants who are working with the business units on recipes for change. By putting each one of the components listed on the left onto a continuum for business decision makers to discuss, the non-negotiables for change can be identified. Refer to Appendix D for other components to be considered. Unfortunately, at Compass, this particular approach was not considered. My interviewees tell the story of how they courageously took a stand, based on their belief systems.

## Executives Challenge Fellow Leaders Appropriately

Up to this point, my subjects were confident in their abilities to lead Compass due to their positions in the company, as well as their longevity. They told stories of how they attempted to courageously speak out when they did not believe in the direction the new leaders were taking. These interviewees described what the Stanford social psychologist Festinger (1957) called the distressing mental state, called cognitive dissonance, that arises when people find that their beliefs are inconsistent with their actions. Festinger identifies in his subjects a deeply seated need to mitigate cognitive dissonance by changing either their actions or their beliefs if they choose to stay in a situation that is causing distress.

The Compass strategy at the time was to go to the deepest level of cultural change, which meant that not only did employees have to adjust their processes and routines to follow new practices and programs, but also another level of complexity was introduced, which was to change the very way people behaved across the board (Lawson & Price, 2003). For example, collegial structures were replaced by hierarchical ones. Internally focused orientations were replaced with externally focused ones. But the problem with static recipes, as opposed to fluid ones, is that they then to equate the purposes or goals of an organization with the purposes and goals of its individual members. In other words, the organization as a system has a product outcome, but the product outcome is not necessarily identical with the purposes of individual group members (Katz & Kahn, 1978).

When new leaders come aboard a company, it is easy to focus on the low-hanging fruit—selling off a business unit, for instance, or defending the brand with a new marketing approach. Making business logic out of a deeper sense of corporate responsibility requires courageous leadership (Zadek, 2004), and the incumbent Compass leaders had a strong notion of stewardship. They had been at Compass for the long haul, and they wanted to see Compass continue to flourish. Stewardship of the company required making a profit, certainly, but the organization had a social imperative as well—to benefit stockholders and to improve social welfare (Kotchian, 2000). Stewardship was one of the legacies of the TQM philosophy that had permeated Compass: namely, that companies need to focus on products and services while at the same time focusing on the quality of society AND taking care of their core businesses (Hardjono & Marcel, 2001).

The incumbents tempered their risk-taking with prudence. They used their intelligence and knowledge to balance the tendency to take chances. Sternberg and his colleagues discuss this balancing as a component of organizational wisdom (Sternberg, 1985). The process involves commonplace expressions such as "playing it by ear," "feeling your way around," or "flying by the seat of your pants" (Sternberg, 1985; Sternberg et al., 2000). This component of organizational wisdom requires judgment, a recognition of limitations and possibilities, and reflection.

When a leader has a high degree of awareness regarding his or her convictions and values, the person is much more likely to have the propensity to stick up for what he or she believes is worth pursuing (Redmond, Tribbett, & Kasanoff, 2004). The question the leader asks is, "To what degree am I willing to stand alone on the proverbial limb?"

The subjects I interviewed demonstrated courage in the same ways these authors describe. The executives discussed how, behind closed doors, they would try and propose a different path, believing that the sudden change in company values was not positioning Compass well for the future. They discussed how they challenged specific programs that were being cut. These ranged from family-friendly practices to developmental programs that were necessary for a wide majority of people, as well as programs and practices around outsourcing or cutting specific business units. In every case the leaders recognized that by speaking out, in the end they would be labeled as being unwilling to change rather than as being concerned for the long-term health of Compass.

> I literally laid down on the tracks and pointed out the virtues of the program, how it had impacted the corporation, and it was one of my finer moments in winning the battle, but detrimental towards the war, which I was going to lose. I knew the audience pretty well, as I had worked together enough years, so I worked the audience, pointing to the people who knew would be somewhat sympathetic, even though they may have already been pre-programmed to be supportive. And, one by one, the ones I brought into the discussion, which fairly quickly got to the CEO himself, and the CEO knew that the Founder had built the program. The CEO always said he would support engineering and technical excellence. So it was defeated. (Malcolm)

> I mean they sold off a business for only one billion dollars! I mean to me, they gave it away. That ended a 70-year old relationship that was done on a handshake. I asked, "What was the value of that? What businesses are we really in after all?" (Zenglo)

To be sure, there were those who described how many leaders were afraid of being laid off if they did not comply. Some described other fellow leaders as "hunkering down" (staying hidden as long as possible so as not to cause a stir). One person described it as being held hostage in her own land; she was expected to be complicit with the stated direction. She saw many people afraid to do anything differently. It was described as a brave new world of discomfort.

> When John was let go, everyone was floored. He had given everything to the company. He had given more than anybody—smart and caring and wanting to make the business better. So what does leadership do? Everybody runs to their cave and hides, because now the person that we've known as our leader, John, he was walked out! And there are rumors. Nobody really knows what happened. People aren't sure that they should hear from him. If you mentioned John's name, they would say, "Oh really? Close the door!" (Melissa)

> Before, the organization wanted me to think counterintuitively—to challenge the organization respectfully. Now they wanted me to be a

> "yes man"—to agree with whatever was said by the senior folks. (Mike)

> Even my boss wanted me to conform, because by me not conforming, it was a reflection on him. "Why do you want to have this radical woman?" So at some points in my career, certain traits were rewarded, and then others were not. (Melissa)

Leaders Assert Their Own Relevance

My subjects also discussed their efforts during this period to maintain their positions as important players in the company. In other words, each attempted to assert his/her relevance as a player who could contribute to the success of the organization. These were all leaders who had previously run large departments and had made many decisions on their own throughout their careers. Now they were faced with having to follow a rigid goal-cascading process, which severely limited their authority. After all, there was only so much money to be distributed in a setting when cost containment was paramount, because the analysts were evaluating how Compass was balancing the books each quarter.

Another phenomenon that was having an effect on the leaders at the time was the continued stack-ranking process designed to distinguish between the high- and low-performing leaders. The stakes were high. According to a McKinsey & Company report (2001), having *better talent* (emphasis mine) is what separates the winning companies from the rest. For instance,

> A best plant manager grew profits 130% while the lowest performing managers achieved no improvement. In an industrial services company, the best center managers grew profits 80% while the lowest performers

> achieved no improvement. And a study of portfolio managers in a financial services institution showed that the top performers grew revenues by nearly 50% while average performers' portfolios remained flat. (p. 1)

Every leader knew how his or her expenditures affected the balance sheet. Each needed to be extremely cost-conscious when making decisions. Consequently, many programs were diminished or eliminated. Internal conflicts abounded regarding how money was being distributed, and how certain leaders seemed to hold more esteem in the eyes of the CEO than others, which appeared to influence significantly how much money they received.

Jealousy reigned. As one subject described, leaders were noticing who received attention and notoriety. "They asked, 'How could the research guys get all the glory?' There was internal conflict about how the engineers could be on a pedestal, as opposed to the marketing people, or the sales people, or the manufacturing people." (Malcolm) "It was shocking to watch programs diminish. It was my agenda versus your agenda. There were only so many dollars to go around." (Zenglo)

Incumbent executives felt a tremendous pressure to maintain programs (status quo), because these leaders had earned their stripes based on past successes. An interesting study on top executives' commitment to the status quo was conducted by Hambrick and colleagues (Hambrick, Geletkanycz, & Fredrickson, 1993). It used a large-scale survey methodology, and found that an executive's tenure in an industry is a pronounced determinant of commitment to status quo. According to this line of research, executives were more likely to try and prove the relevance of their function and to assert their own relevance based on their reputations if they (a) had led a department, (b) had built the department, and/or (c) were known in their functional field for their accomplishments, both inside and outside their organization. For example, the head of a finance organization, who has a large reputation in the finance community, would be more likely to assert his/her own relevance. The finance executive's judgment may be clouded; the leader may not see that dramatic change is necessary.

My subjects each addressed the dilemma of diminished funds (and in their view, a diminishment of their own stature) by increasing their networks with one another and with the outside community. They demonstrated what Sternberg defines as successful intelligence, that is: modifying oneself to suit the environment (adaptation), but also modifying the environment to suit oneself (shaping), and sometimes finding a new environment that is a better match to one's skills, values, or desires (selection).

In an effort to draw attention to the good work of their departments, the leaders at Compass described how they would send out newsletters, hold meetings with their peers, or have their top people present at conferences. Their assumption was that the programs and departments that they held dear were not fully understood. By visiting their colleagues, they could convince them, at least in an ad hoc manner, that the programs should be sustained. The leaders were not able to establish the importance of their departments. Each leader, one by one, eventually left Compass.

> I was powerless, in terms of being able to sustain the culture, and even sustain my own position; yes, this is true. There was a human cry for change, and it was from the stockholders who had a lot of money, as well as the board who represented the stockholders. The CEO was

> receptive to making radical changes in order to save his job and to right the ship and move forward, and those changes were rapidly coming in sequence as leaders departed. (Malcolm)

> I thought Brian was a nice guy, but a weak CEO. And I thought my boss was totally inept at making decisions, even though he was a wonderful guy. He had an awfully lot of good things going for him personally, but as a leader, he's a disaster. And I thought, "What the hell! You've got to be an idiot to stay around in that environment. Now lots of people do. They hunker down. They need the money. They need whatever it is. But, remember who I am. I'm the guy that's always said, "You've got to love me, or you've got to hate me, but you're not going to be ambivalent about me." And I was about to be in a position where I couldn't make any effective change in the corporation, because I didn't respect the leadership and the vision that they propagated. (Mike)

Incumbent leaders who had fought long and hard up to this point were, in some cases, fairly disenfranchised or not included. An example of the "gallows humor" that was typical at the time was that long-term employees at all levels would see each other in the hall and ask, "Are you new, or are you stupid?" It seemed that the new people, those brought in at typically higher levels of management, would last two to three years. They would propose many of the same types of programs that had been tried earlier and wrap the programs with new language. Then, they would leave before seeing if the programs had had any effect and could be institutionalized.

## Phase 4: Disengagement

Like a freight train that has gained speed and has a difficult time slowing down, turbulence continued at Compass. Archived documents that I saved from that time period told the story of the market at the time. There was evidence of a continuing degradation of margins, as prices for commodity products were going down. For instance, in 1970, mainframe computers sold for $300K per MIP (a measure of a computer's performance, which means millions of instructions per second). By 1990, a personal computer sold for $30 per MIP (World Bank, n.d.). There was heightened competition because faster adoption rates for new products meant a surge in the number of potential customers. According to Morgan Stanley Technology Research (n.d.) at the time, it took 38 years after the introduction of the radio for that product line to reach 50 million users, whereas it took 13 years for the same number of people to purchase a television, and only five years for 50 million users to sign up for the Internet. Finally, there were more and more countries that were willing to open their markets to private ownership and competition. In fact, the deregulation of markets was happening at exponential speed. For example, there were only three countries permitting competition technology in 1990. By 1995, there were 11, and by 1998, there were more than 30 (Kelly, n.d.). Mergers and acquisitions were also increasing with a documented 15,585 deals for a total of $365B in capital in 1992; 19,128 deals for a total of $559B in capital in 1994; and 23,308 deals in 1996 for a total of $1,116B in capital (Securities Data Company, n.d.).

All these external changes meant that the Compass businesses had to continue to grow to survive. Sometimes that included building alliances, sometimes dangerous alliances, with previous competitors. Organic growth, which is growing the organization's core business, often in an iterative way, was no longer enough in the eyes of shareholders. Company leaders were required to acquire new businesses, merge them into the existing business, and try to integrate the leaders who were affected by the changes with a semblance of civility and respect.

Integration was the goal. There was a kind of implicit contract in which the leaders were bound together in a mutual and continuing pursuit of a higher purpose. Yet, this contract was far from assured when the leaders were competing for one another's positions (Burns, 1992). The tendency to want to dominate and influence others, based on one's own strong convictions, often superseded the goal of playing fair.

It became more and more difficult for the incumbent executives at Compass to support the changes. They described a progressive process of disengagement and disillusionment that they experienced at Compass during their last years with the company. Listening to these executives discuss this stage of their careers was particularly poignant to me. These were incredible leaders who had achieved both financial and personal success at Compass. They had given their hearts, heads, and minds to its success. Yet, at this stage of the game, they were disempowered and, in some cases, disenfranchised. There were a variety of reasons, but all with the same result. Ultimately, each person decided it was time to leave. These were healthy decisions, based on each person's own value system and family responsibilities. None of these leaders blamed anyone for the demise of his or her career or for the demise of Compass. Rather, there was a genuine concern about the new direction that Compass had taken, albeit with a belief that they themselves could no longer do anything about it.

During this phase, the interviewees consistently described three behaviors: identification of causes for their own discontentment, assessment of the new leaders' capabilities to lead in their absence, and the need to seek new challenges.

## Identifying Causes of Discontent

The leaders described how they recognized their discontent in several different ways. Three themes emerged: (a) recognition of the huge emotional and physical toll that the turbulence had caused, (b) recognition that they had been disempowered to do good work, and (c) realization that they could no longer relate to and espouse the values that the transforming company now stood for.

### Recognition of the Emotional and Physical Toll

Subjects talked about both the physical and emotional toll that the continued high turbulence had on their lives.

> I describe my career as the first 20 years riding strapped to a rocket ship, holding on for dear life, and the last seven years was trying to repair the rocket while in mid-flight as it pummeled back down towards earth. (Jeremy)

> I mean, it felt like it was Melissa against the world on certain days. I really felt like I had to take charge, because that was my job, and every day, I pushed this rock up this hill. I mean, just to really lose a lot of steam. (Melissa)

> The good news is that, while leadership is fun, it also sucks the life right out of you. Because the things that will cause you to lose sleep are

> the people who work for you. It's not the technical stuff. It's the iterations with your staff, and things like that. (Melissa)
>
> To be honest with you, I haven't shared this with a lot of people. I saw my body telling me I was headed for trouble. All the kinds of things that you would check on yourself—blood pressure, cholesterol levels, not exercising, and the weight gain—all those things were going the wrong, wrong directions. And, within six months of retiring, they were back to normal. (Bob)
>
> I think what helped me leave, Tess, is to see the toll it took on so many people that were my friends, including my boss, and James, Rudd, and Brad. I watched Bob die before he had a chance to enjoy retirement. I saw Elizabeth work for the company for 40 years and she died shortly after she retired. (Jeremy)
>
> It was the worst year of my life. Those were the longest plane rides back on Friday nights in my life saying, "Well, whose careers did I end today?" (Jeremy)

It is easy to empathize with the sadness and disappointment the leaders were feeling. Jeremy's first quote makes plain the shock that changes occurred so suddenly. Melissa describes how she enjoyed working, but at this point she feels badly about the people who she had let down due to the continued turmoil. Bob's health was compromised because of the stress level. Jeremy's last quote reveals his stress as he watched some of his friends die early after retirement and others quit unexpectedly.

Disempowerment

The second reason for their discontent was that it became more and more difficult to do good work with the shrinking resources. The executives expressed that they felt disempowered by the new management. All the processes that had been put in place had changed many times over because, with changing structures and departments, processes and procedures needed to change as well. In addition, roles and responsibilities of staff members kept changing because of all the headcount reductions. The strategy of the company continually shifted as well, causing even the top leaders to have no firm idea of what to do next to support Compass in a meaningful way.

> To me then the game was over, because you couldn't get enough resources to do good work. And the negative was they wouldn't free you up to go get the resources, even though the resources were out there. I remember meeting Brian in the airplane hangar and had the discussion. And I just said, "No. You know I support you, Brian, but it's just that the environment is such that I don't think you can sustain what I believe needs to be sustained, and it's time to go. (Zenglo)

> I mean, they are not asking us to do anything. I mean, even if you say, "We gotta cut your resources by half, but we want you to do the following" you would organize around that. But it was just, "Cut your resources." "So what do you want done?" "Well, nothing." "Well, if you want nothing done, and then let's cut by 100%." As you globalize your workforce, how many people tend to stay only when they get a player role? (Melissa)

A particularly colorful story was provided by one interviewee. The leader compared his situation with the Bible story of Joseph and the Coat of Many Colors. He said that, when his dad left, he could see that his brothers were not going to be held in line without dad around.

> I've often reflected upon this in biblical terms. I very much felt like Joseph, when his dad gave him the Coat of Many Colors, and he enjoyed the good favor of his father. But, his 11 brothers didn't find him to be really that great, and the first chance they got, they tossed him down into a hole and eventually sold him off into slavery....I could see the handwriting on the wall when Dennis became my boss and the new president... There had been a 15% cut in the budget, and, previously, I had been given no cuts. The knives were out by now, because it was really money from (my brothers) that was going to keep

> me fully funded. And after "my dad" left, my brothers were out to get my money. (Malcolm)

As their roles of being contributors diminished, the leaders found their work to be more and more tedious. They each, privately, in their own time, decided it was not worth the effort any more to stay in the organization. Fortunately, unlike the general company population, they also had the financial wherewithal to be able to make the decision to leave.

It was as if the "golden handcuffs" had been removed. The golden handcuffs metaphor was used jokingly at Compass to describe how the leaders were expected to work like dogs (due to a heart-felt desire to contribute, most assuredly, but also due to a financial reward system that provided high pay for hard work and results).

> The other thing is, if I look back in almost 21 years, 17-18 of those years were fun to get up in the morning and go do good things, and then the last few weren't fun anymore. (Zenglo)

> Part of it was financially. I got to do this, got to do that, got to get this, and got to get that. So, that's no doubt a change. But the other thing for me is that Compass was such an unbelievable place. And I worked there as much out of my heart as I did anything else. I loved the people I worked with. I believed so much in the company. And, I don't know that I'll ever be able to replace that. In fact, for me, I know I can't. (Bob)

Incompatible Value Systems

The third reason cited by my subjects, and unanimously agreed upon, was that their discontent was around the sudden change in values in the company. They simply could not abide by the changes that they were witnessing.

> It was such an ethical company. It was one of the reasons I came. It's the reason I stayed for 27 years. And, when I felt that it might be changing, is the reason I left, quite frankly, so I decided to leave earlier than I probably would have otherwise. (Malcolm)

> I am not sure if the company ever finished restructuring. And that's because we would say to the SEC we'd have one-time charges. So, even if you wrote off $1, you would say, "Yeah, but without that one-time charge, we would have recorded a sales increase." And, it became more and more difficult to treat people with constant respect, because we did three to four more restructurings and we were constantly taking people out. (Terry)

> It's a cumulative effect. I took the removal of all those people very personally. I mean people laughed at me, but maybe it was just my value set, but I read the justification for the termination of every single person who had more than 10 years of service with the company. Every single one of them I read. Because I felt I owed that to them. Because they had invested 10 years in the company! I knew it was crazy to ask the CEO to do that, but someone in senior leadership had to take on that responsibility to make sure that people were being treated fairly. So I read every single one, and you know, you can imagine, that was probably 20,000 cases. So, that's just how I felt I had to do this job in order to live with my own value system and the company's value system. And, when I saw that was ridiculed, I knew I had to leave. (Bob)

> You know, it's important that this doesn't sound like sour grapes, because I think you have to say you join organizations that have similar values, and have a vision that in sync with yours. And as long as you can contribute, and you're in harmony, it works well. When you're no longer in harmony, then either you have to try and change yourself to accommodate it, or you leave, or you try and force it back into one where you can be a part. (Zenglo)

## Assessing Fellow Leaders' Capabilities

As the new leaders became more entrenched in the organization, the incumbent leaders assessed their capabilities, just as the rest of the employee population was doing. In many cases, these new leaders had been brought in from the outside in the hope that they could instill new thinking and capability into the organization. My subjects assessed these new leaders by looking at three different things they did, including: how they treated individuals, how they treated their fellow leaders, and how they ran their organization. Discussions of their fellow leaders became a we-versus-them conversation.

## How Individuals Were Treated

Stories around treatment of individuals related to the new value systems that the leaders brought into the organization. My subjects described how the minority opinion, once a precious commodity at Compass and highly regarded as a critical component of success for innovation, had now died. Essentially, they could not abide by the approach that the new leaders displayed in the treatment of individuals.

> I just knew what was happening in the culture that the culture had changed to the point where you couldn't have an opinion. Remember how proud we were of the minority opinion at Compass? The minority opinion was dead. Not only was it dead, it wasn't welcome in the room. And so, you know what, maybe they're right. Maybe that's the right way to run a company. I don't think they are, though. You get forced to make a decision that says, I'm either going to sign up for this, or I'm not going to sign up for this, and the hardest part for me, as you would guess, was leaving the people. But I just ultimately said I will be doing them more of a disservice if I stay. Because I cannot be effective here anymore. (Bob)

> Compass is a classic case. People really don't do things anymore on their own because they don't feel empowered. The consequences are so negative for making a mistake that people don't take any risk. And, so you have stifled innovation and creativity. (Zenglo)

> And these are the guys in charge. And everybody else just gets the job done. And if you had a good idea, or if you wanted to lead it, there wasn't a forum or a place to be listened to. (Mike)

> All those things that happened in the early 90s that really allowed for people who were not "the same" as others to be heard, it all changed. It was, "These are the guys in charge. You are not counted." (Melissa)

How Colleagues Were Treated

The new leaders were perceived by the incumbent leaders as not demonstrating sufficient respect for either the employee population or their fellow leaders. My subjects maintained a respectful attitude as they discussed the new leadership, because they did not want to appear angry or defensive about the new people. However, it was very clear with each subject, that their individual treatment in the presence of these fellow leaders had not been a motivating or engaging experience.

> They cut this nice benefit for the family, and I spoke up that I thought it was an important benefit for the family. I was ridiculed for having that opinion. And so, that's an example of how a change in culture occurred, and where you go. This is different from what I signed up for, in the place I work for. And it's different enough that I'm not sure I want to stay. (Bob)

> In the end, I just didn't have that same level of respect and openness with the person that I was working for, and that's the time when I said, "Okay, I don't have the same emotional engagement in my new role as I did in my old role, and I never will. And, it's time to go." (Malcolm)

> I remember the first wave of people who were laid off, They were given a tremendous financial plan. I think they were let go with about as much dignity as we could do. But, after a while, we got so good at laying off people, that I remember sitting at HR meetings where we'd say, "Okay, take out another 500." We knew exactly how to do that. There was no emotion in that decision. We could execute that in 48 hours, whereas the first 500 were very difficult to do. To me, it should

> have always been difficult. Not that we wouldn't do it, we had to do it because of the business conditions. But, it should always have been difficult. They say, if you kill enough people, it'd be easier to kill that extra one. Because we're business people! And, by business people we meant, you know, profitability kind of at all costs, short-term investments, get rid of people, don't develop them, and stack-rank them by people who really don't know who they are stack-ranking. And, to me, that was the biggest crime. (Zenglo)

Perceptions about the New Leaders

The leaders I interviewed did not respect the direction that the new leaders were taking the business. The incumbent leaders came to see the new leadership as incapable of leading the organization into the future.

> There was lack of consistency in direction. "We're going to do this." "No, we're going to do this." I can only compare it to a child who was getting different directions from both sets of the mom and the dad. Where, if you are the child, you become confused. And you should never put the child or the employee in that position. You should have a consistent story that goes out and deals with difficulties in a closed-door fashion. (Terry)

> There was lack of vision. You know, some companies have a 10-year plan. And if you listen to the CEO and the CFO and the CTO, they all talk about the next 10 years. The CEO talks in paragraphs, the CFO speaks in numbers, and the CTO speaks in technologies. But, if you read the three chapters, they all say the same thing. I think that is unique and very exciting to sign up for. And to me, that was the way Compass was in the '80s and the '90s, but not anymore. (Zenglo)

Executives Seek New Challenges

Four of the seven retired leaders I interviewed ended up finding other jobs, either as consultants or with other companies. “The enterprise watchdog” is now shepherding another company through corporate change; “the technological wizard” is the dean of a highly reputable college; “the scout” is consulting worldwide with selected companies; and “the trusted confidante” is teaching new entrepreneurs in a business school. The other three are happily engaged in other interests, including volunteer work, legacy activities, and hobbies. For example, “the pioneer” is coaching high school boys and serving on three boards for nonprofit organizations; “the diversity role model” is doing executive coaching for women business leaders; “the strategist” is content to do financial planning for friends and relatives. In every case, my subjects ended the interviews they way they began, talking about accomplishments and challenges that excited their imaginations.

The leaders who chose to find other positions looked specifically for companies that they believed in or were in a growth mode. They also looked for companies that had the same value system as they had grown up with during their tenure at Compass. They also indicated that they continue to work, not because they needed to from a financial perspective, but because they want to, based on their own sets of priorities.

> I think the pendulum is swinging back for some companies to saying, Look, we’ve got to have a longer-term plan. We have to develop people. We have to have some bench strength. You know we can’t outsource everything to India and China. I see the company I am

> consulting with emphasizing people development now. I see them emphasizing processes for innovation, creativity. I see the company actually trying to develop an environment in which risk is accepted. (Zenglo)

> Well, I'm gonna work really hard, and I'm gonna have great times, and develop good friends and that kind of stuff. But, I just won't ever be as emotionally invested again.(Bob)

> I have proved myself before, so it's not like I have anything to prove. I know I can do this new role. And, I will do it well. (Malcolm)

As they move on to their new lives, all the leaders I interviewed stay quite informed about the business conditions at Compass. Of course, many of their friends are still there, as well as some of their financial footing, so it is not surprising that they would continue to be engaged and interested. What is striking, however, is the total lack of optimism about the current leadership and the direction the organization is taking. Each of the leaders commented about the new CEO and the direction he is taking the company. Each one noted that the pendulum would swing again, this time against the current organization, just as it did during their tenure against them.

> The press is starting to turn on the CEO. He was a fair-haired boy, but if you read this week's edition of *Business Week*, there is an article about him that is beginning to question whether or not he has any vision at all. (Zenglo)

> The new CEO inherited a really good situation, because, just do the math, when you downsize your payroll by more than 40%, you gotta good product going there. You're gonna get this huge positive impact to the bottom line. So, all the restructuring and all the work is pretty much done, pretty much done. And I worry now about our former company, because we loved that place, and I know all of us had a lot of, as much of our hearts as our pocketbooks in it. But, I don't see a lot of innovation coming from the next generation. So, you know, I'm out of it now, and I really don't understand in depth what's going on, but I see a lot of the things that were exactly what got us into trouble in the first place. I just hope they don't go back into the same problems. (Bob)

Bob is talking about business decisions in this quote, but beneath the surface he recognizes that the company is not being led well to position itself into the future. Compass was his life's work and in many ways his legacy. He left the company but still hoped that it would continue far into the future. From this excerpt it is apparent he is not so sure.

> Probably one of the things I feel worst about, to this day, was the board of directors made a rash decision when they eventually took Brian out of his role. And it's more about timing. If they had done that 18 months earlier, we would have all understood because we were in a bad place. But we knew we had the thing on the right path, and we started having record profitability, and it hasn't stopped since. All those things we could see were happening and so, when the decision was made to make the move, we just went, "Aw man, not now! This just doesn't make sense because this thing is ready to take off." And that's exactly what happened. (Bob)

In the excerpt Bob is talking about his loyalty to the CEO. As an upper-echelon leader he witnessed the level of effort, and indeed the heart, that the CEO had put into the job. Now not only was Bob disempowered, but even the CEO himself was stripped of his duties. Bob believed there was injustice in the timing of the decisions based on the fact that Brian had positioned Compass well for the future at this point.

> The interesting part is an anecdotal story I will tell you. I saw Brian about three or four months after he had left his role. He grabbed me at a going-away party for one of my lead staff members and talked to me for half an hour. And the gist of it was apologizing for firing me, and telling me that it absolutely was the worst mistake he had made in his entire life. I told him I strongly disagreed with that! I jovially told him I could think of half a dozen things that were worse mistakes than that! But he was very serious about it. And it was interesting that what he had not realized was that I was, and continued to be, a supporter of him because of the good things that he did. But Brian is a very honorable, good man, and that moves him very high in the ratings, just for that very fact. Because there are a very large number of CEOs who, very

> unfortunately, are not, at their core, honorable and good men. (Malcolm)

The fascinating part of this story was not only that Malcolm was loyal to the CEO, but that the CEO was hugely loyal to Malcolm in spite of the earlier parting of ways. These were two leaders who fought together on the same team and lost. What remained? Loyalty. Although they were not allowed to continue the fight together, they cared enough about each other to attend retirement parties, talk about Compass's future, and indeed be honest with one another about what had occurred.

## The Story Ends

As the story enters its fourth and last phase, incumbent leaders have a belief that the organization is on the wrong path. The transformed organization is no longer recognizable in their eyes. At this stage they have suffered a considerable loss of power. Many of their colleagues have either retired or been asked to leave. Although they are still standing at the same place, they realize that the organization has moved in another direction—one with which they do not agree.

In the final analysis, each recognizes that there is not much more that can be done in the leadership role as it now exists. Given the present hyper-charged political environment and the different culture new executives are bringing to the transformation, the executives feel powerless to preserve the company they once knew. The incumbent leaders experience a complete breach between their value systems and those of the current leadership. The incumbents decide to leave on their own terms.

At first reading this story describes the unraveling of an organization during highly turbulent times. From the perspectives of the leaders who participated in this study, Compass, as they knew it, essentially was crushed out of existence. Although more or less victims of the turbulent transformation, they did not see themselves as defeated. In this respect, their experience could be compared to the caricature of a medieval knight, who is noble and courageous, and goes out to slay the dragon, in spite of all odds. But, some days the dragon wins! In this case, the marketplace was the dragon. It changed to such an extent that, in spite of their most noble efforts, these leaders did not win the fight. Faced with increasing uncertainties and a hyper-kinetic, politicized environment, these leaders took on the tedious, difficult, and unglamorous task of reorienting and trying to change the core of the company, sometimes at their own expense.

It is interesting that, in the end, the leaders in my study were satisfied with the outcome. They saw themselves as winners in their own right. Although bruised and bumped from the fight, they had maintained their integrity and credibility. Based on their values, they had done the right thing. Indeed, they had a moral compass that had guided them throughout their careers at Compass and informed their decisions during the turbulent transformational times.

The Cycle Continues

The leaders fear that the process will be repeated. They tell of an ongoing instability that is occurring, in spite of the new leaders who have been installed, supposedly to save the company. Figure 6 depicts the ongoing cycle described by the executives I interviewed.

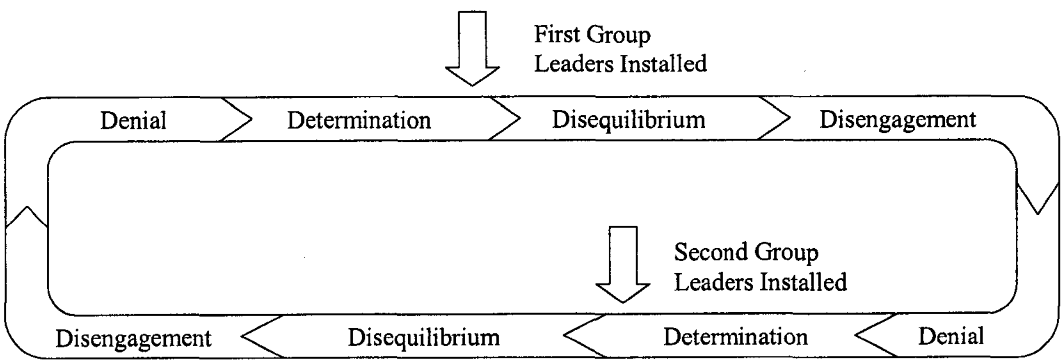


Figure 6. An Ongoing Process of Leaders' Behavior during Turbulence.

Instability has been noted in all of the organizational change literature and is becoming part of the fabric of organizational life, particularly due to globalization. I believe the story of Compass is a universal one. In his book *The World is Flat*, Friedman (2005) tells how all corporations around the world have many of the same opportunities and challenges that the leaders at Compass faced.

> We have to do things differently. We are going to have to sort out what to keep, what to discard, what to adapt, what to adopt, where to redouble our efforts, and where to intensify our focus. This is not just an intuition, but the flattening of the world is going to be hugely

> disruptive to both traditional and developed societies. The weak will fall farther behind faster. The traditional will feel the force of modernization much more profoundly. The new will get turned into old quicker. The developed will be challenged by the underdeveloped much more profoundly. I worry, because so much political stability is built on economic stability, and economic stability is not going to be a feature of the flat world. (p. ix)

# CHAPTER 5

# RESULTS:

# A MODEL OF CHANGE LEADERSHIP IN TURBULENT TIMES

## Components of Change Leadership

Change is part of the fabric of multinational companies today and the amount of upheaval experienced during a corporate transformation is of much significance. Shifts in company values and in the distribution of power are commonplace. To what extent can change leadership be modeled to provide an account of modern-day corporate change? In the literature review it was shown that the literature should be more contextualized when studying change leadership. Here a model of change leadership is presented which will permit exploration of organizational context. The chapter consists of definitions and rationale for the components of the model and also arguments for its implementation. As will be seen, the model is built upon the themes of the study, after many rounds of coding structures, thematic analysis, and the extension of the literature.

In healthy organizations, leaders have a responsibility to make appropriate decisions in the best interests of the company. As the study emphasized, the latitude leaders take and are authorized to take is observable and noticeable. Latitude fosters a belief that the there will be a sense of continuity in the organization and the leaders' own careers will not be compromised. It is a sequential phenomenon, because one component follows nicely into the other. Especially when there is turbulence, leaders are required to model effective behavior. Thus, to justify the definition provided earlier, change leadership is the ability to instill in one's self and one's followers a sense of purpose by placing a premium on latitude, loyalty, and continuity.

Latitude is the capacity to have decision authority that fits with the company direction so that decisions are not compromised. The capacity includes having the money and resources to make change occur as required. For instance, a leader who has latitude can decide, within reason, the number and types of human resources needed; the initiatives, programs, products and projects that are required for the department under his or her control that are synchronized against the organizational needs; and the timing required to complete the work. Although there may be oversight related to the allocation of money, the actual distribution and implementation of funds is decided upon by the leader.

Loyalty is a rational and emotional commitment that drives discretionary effort and intent to stay based on inclusion and values congruence. By having organizational values well defined, documented, and acted upon, the organization can thrive, because individuals attach meaning to their actions based on the organizational values that are espoused.

Continuity is the degree to which an organization can be sustained and continue into the future based on its reputation and capability to deliver value. In an organization that is doing well, the individuals recruit their friends and families to join the company, relate stories related to the company with pride and, in doing so, count on the fact that the company will have longevity.

The stages of these components of change follow a process:

Stage 1: Leaders recognize the latitude to contribute

Stage 2: Leaders establish a sense of loyalty

Stage 3: Leaders exhibit continuity for the organization

Figure 7 shows these three stages along with questions leaders ask during each stage.

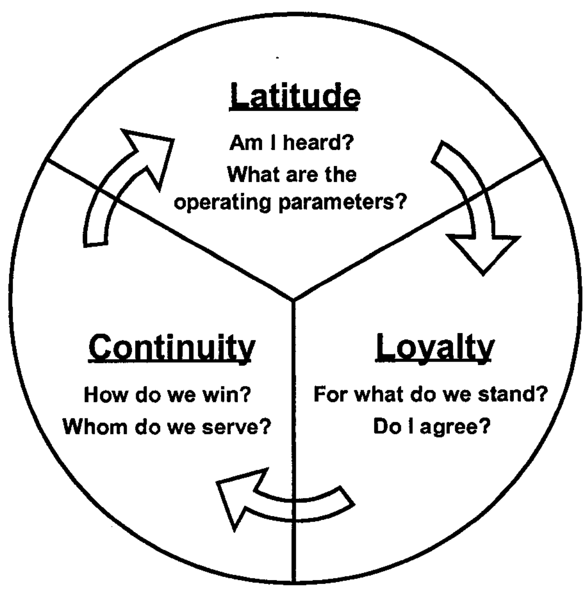


Figure 7. Components of Change Leadership.

Stage 1: Leaders Recognize the Latitude to Contribute

During organizational transformation leaders can witness major changes in their roles and responsibilities, including changes in business units or functions they serve, locations in which they are placed, a fluctuation in the number of direct reports they supervise, or even a lower title than was previously held. When the leader's responsibilities and accountabilities are changed to such a degree that the individual no longer feels able to make a difference, the leader's latitude to lead is severely hampered. In these situations, an individual recognizes that the knowledge, skills, and abilities that he/she can offer (that were previously utilized) are no longer valued or having an impact. Conversely, if the leader believes the team can meet their goals and feel valued, and the leader has the proper authority, he/she can instill a sense of purpose in the followers as well. Latitude is defined as the capacity to have decision authority that fits with the company direction so that decisions are not compromised. (This and other definitions are provided in Table 1.)

At this stage in the change process, the change leader is focused at the departmental level rather than the organizational level and asks: What are the operating parameters for me to be effective? And, am I heard? The questions have both an interpersonal component as well as an organizational component. The head of a finance department, for instance, must fit the overall goal of the organization, and be assured that his or her own personal abilities and decision authority fit with the company so that the decisions are not compromised. This congruence or its lack determines whether or not the change leader can continue to lead effectively.

The term "cultural fit" is appropriate here. Consider the analogy of fitting into a shirt. If the shirt fits (in terms of its shape, size, color, texture, and comfort), personal satisfaction is enhanced. Likewise, when the conditions of fit, color, texture, etc. are not met, satisfaction is less. Possibly the shirt is discarded. "Is the shirt the right size for the person?" is not the same as asking, "Is the person the right size for the shirt?", but it is similar. Fit can also be measured at either the organizational or departmental level. An individual leader decides if the structure is shaped correctly, that is, whether it is decentralized or centralized appropriately to allow room to make decisions. Likewise, an analysis can be made whether the organization is sized correctly, that is, whether it has the right number of people employed proportionate to the amount of work that needs to be accomplished. To take the metaphor further, an analysis can be made as to whether the organization is the right color, that is, whether it presents itself or its brand to the outside world in such a way that the organization is differentiated. The organization can also be assessed based on texture, in other words, whether it has the proper amount of interest and complexity of work that contributes toward growth. Finally, cultural fit can be measured by the comfort the individual feels with the organization, which is the degree to which an organization manages itself and is not overly influenced by external forces that may impinge on the decision-making authority of the leaders.

## Stage 2: Leaders Establish a Sense of Loyalty

Loyalty can be differentiated from engagement. It is a matter of the level of commitment that is exhibited during change. Engagement entails a leader's belief that staying with the organization is in his or her own self-interest, and that going above and beyond will result will result in additional emotional, financial and/or social gains. Loyalty, on the other hand, is the rational and emotional commitment that drives discretionary effort and intent-to-stay, based on motivation and values congruence. Loyal leaders are called to lead an organization, in both good times and in bad. Personal resilience and determination are demanded and the leader must guard against despair and show faith in the future.

Loyalty is a combination of two variables. The first is values congruence and the second is inclusion. The questions to be asked in this component of the model are: For what do we stand? And, do I agree?

Values congruence refers to the extent to which an individual perceives that the values of the organization match his/her personal values. The cultural values include the company's reputation and whether current leadership is managing the company as the incumbent leader believes it should be managed. Values congruence, from an individual perspective, is a reflection of what meaning the individual attaches to decisions made by upper management, how the individual reacts emotionally to the decisions, and whether a leader believes that the values his/her fellow leaders are in sync with one's own belief system. When leaders can assume that they are in alignment with the company values, they can keep running forward, confident in their own decision-making ability and influence. They feel relevant, optimistic, and ready to stay engaged. They seek challenges within the organization rather than looking for challenges outside the organization. In short, they believe that values espoused by the organization give them a strong footing from which to make decisions for the future.

Inclusion refers to the extent to which an individual feels his/her input, opinion, or presence is sought out, valued and accepted or acted upon by the organization. This includes the individual's contribution in role and the ability for the person's work group to make a contribution to the organization. This individual level is at an intrapersonal level, namely, the leader's questioning of self related to capability, reputation, and the ability to attain stated goals. It involves a leader's perception of personal effectiveness and position power.

## Stage 3: Leaders Exhibit Continuity for the Organization

When evaluating whether an organization can be sustained and continue into the future, the change leader asks: How and when do we serve? Note that these two questions refer to the plural *we*, meaning we as an organization of leaders and individual contributors.

The change leader looks at the company reputation when determining how do we win. The leader must be keenly aware of the press (including print, audio, and visual news media) because the press is a good barometer of reputation and follows every step the business community takes. That is because a multinational company, such as Compass, leaves a footprint in every country where it exists, making decisions about such things as health care costs, employee rights, facility locations, lobbying efforts, and social reforms, to name a few. If a company's reputation deteriorates during an executive's tenure, albeit because of market conditions and other conditions over which leader has no direct control, the leader's reputation deteriorates with the company's.

Change leaders believe they can turn the tide of the business direction over time. They stay engaged partly due to that belief. As such, they question each other about whether the direction and vision is correct; they argue for certain directions and take a stand. They communicate with conviction to their employees on behalf of the company. They believe in what is happening at the upper levels of the company, because they have had a voice in making the decisions. They can articulate the vision and direction authentically.

## The Degeneration of Leadership

What happens when leaders are not provided the components of change leadership? A period of degeneration of leadership ensues. Leadership degeneration is synchronized with the stages proposed in the change leadership model.

A refined and more complete model of leadership in turbulent times emerges. It consists of the four phases that executives experience when leading a corporate transformation during turbulent times unless the components of change leadership are juxtaposed. The lightening bolt (zigzag line) emphasizes major changes that occurred during the corporate transformation. The model will be dissected first in terms of the phases of turbulence and then in terms of the components of change leadership.

## Phase 1: Denial

Figure 8 shows the change leadership model related to latitude, loyalty, and continuity already referenced. The circle is shaded to show that latitude diminishes during this stage.

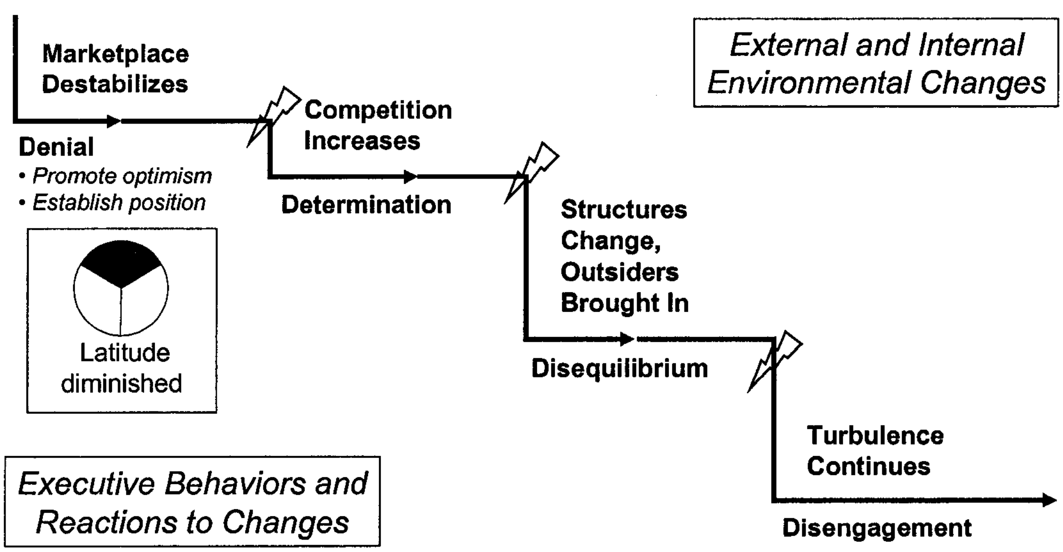


Figure 8. Degeneration of Leadership: Phase 1.

Denial is characterized by a belief by leaders that the company is well-positioned for the future, in spite of external signals that are suggesting differently. Leaders, as tough-minded business people, often with huge egos, invest major parts of their careers to bring the company to success. The tendency during this phase is to show unbridled optimism that competition cannot catch up, that customers will stay loyal, and the leaders can do no wrong.

## Phase 2: Determination

The second phase, Determination, is triggered by shock as executive leaders recognize the enormity of transformation required for the company during turbulence. When market conditions continue to deteriorate, leaders begin to believe that urgency is required. During this phase leaders try to enlist the support of others (the CEO, their colleagues, their constituents) by using their best change leadership techniques. For example, they solicit loyalty among followers by talking about the company founder and the values associated with the company. They hold others accountable for the issues and problems. Balancing the need to keep certain issues and decisions confidential—at least for a time—they try to be as transparent as possible about the company's problems when discussing the need for change.

The model, as shown in Figure 9, depicts a shallower step for Determination than for the other phases of the model. It emphasizes that typically this phase is indeed begun, and leaders cannot rely on tried and true formulas from the past in explaining

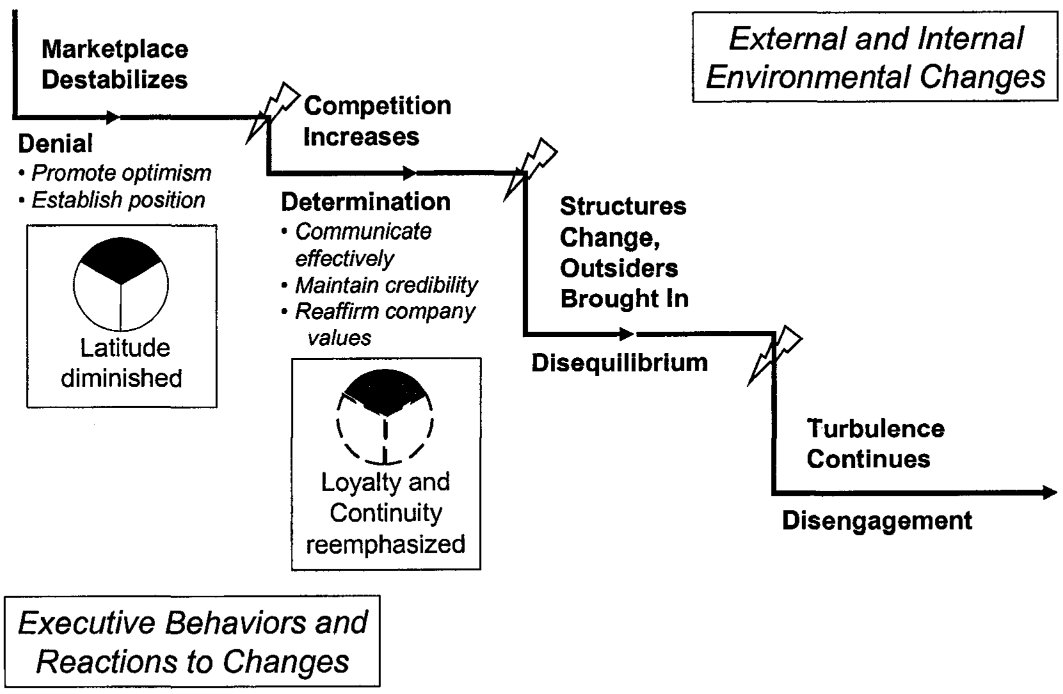


Figure 9. Degeneration of Leadership: Phase 2.

the changes. Certainly, there is a need to emphasize the values and principles that have been a part of the culture in the past in order to help members of the organization make sense of the changes. But in the case of many multinational companies, change is occurring so fast that the status quo is often a short-lived phenomenon. What occurs instead is a very difficult period of disruption that involves disequilibrium, covered in the next section.

### Phase 3: Disequilibrium

Figure 10 emphasizes that, at this point, both latitude and loyalty are compromised. Often, new people who have been installed in the company to make differences are provided more latitude to make decisions than the incumbents are provided. The level in the organization does not seem to matter. It is often a universal phenomenon. You are so-called "knighted" if you are new. The person who has hired the new leader wants him or her to succeed. There is much more emphasis on the new leaders' suggestions and ability to make a difference, whereas the incumbent person has a more neutral focus. In addition, as the values and principles of the company change, the incumbent leaders are often perceived as out of touch with reality if they do not appreciate or agree with the changes.

Loyalty is also compromised. At this stage, the incumbent leaders recognize a significant disparity in their ability to make a difference and be included. They note that values have shifted and often the new leaders do not appear to have the same

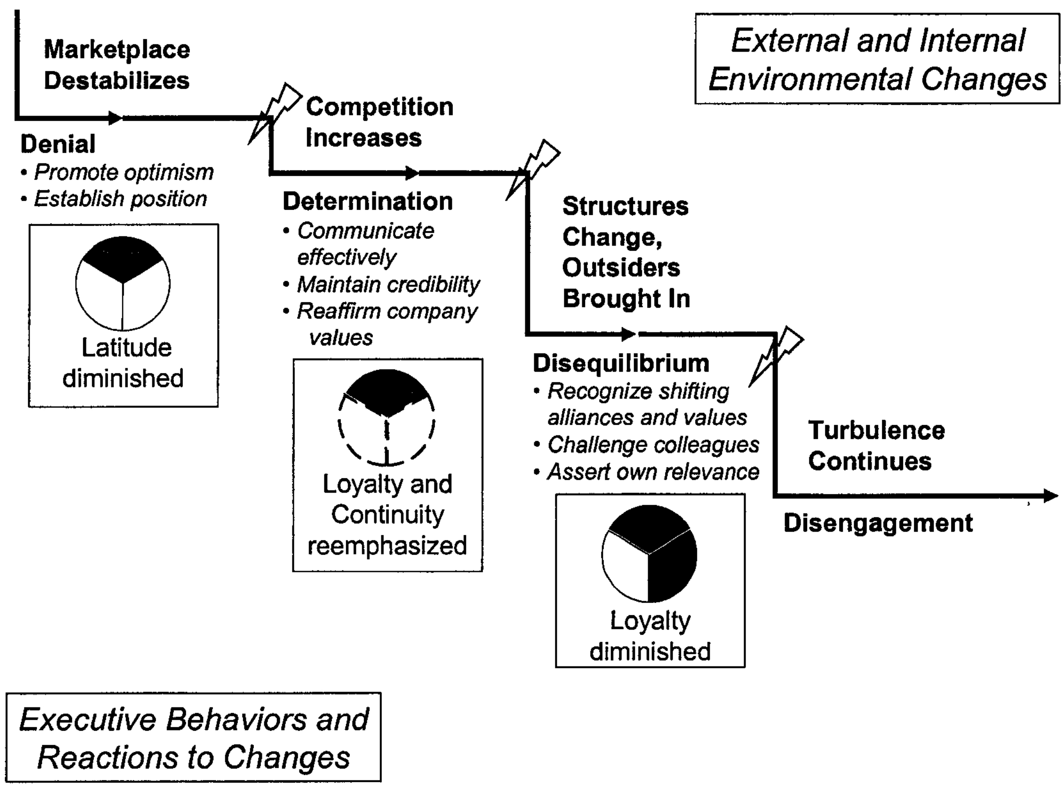


Figure 10. Degeneration of Leadership: Phase 3.

values as the incumbent leaders because their set of experiences is so different. The metaphor of a ship sailing in turbulent waters is useful. The ship can appear to be rudderless because of the lack of company values and principles which leave long-service and incumbent leaders to believe the ship is without direction and control.

## Phase 4: Disengagement

The next stage is Disengagement. At this stage, rapid changes in power orientation and powerful political shifts can occur at the highest levels of leadership. Figure 11 represents this stage when latitude, loyalty, and continuity have been compromised to such an extent that leaders become disengaged.

If latitude has diminished and leaders are not sure of who to be loyal to, a small leadership cadre can take control. As such, incumbent leaders are excluded from discussions while programs, projects, and initiatives are dropped or adopted without their knowledge or consent.

Continuity is often compromised when incumbent leaders are disenfranchised. What happens is that some of the organizational icons or archetypes depart or become disengaged. When a critical mass of icons departs, the company loses continuity and sustainability.

The components of effective change leadership require organizational archetypes to provide continuity in spite of turbulent change. Organizations certainly require new people and new ideas in order to flourish, and that often means hiring

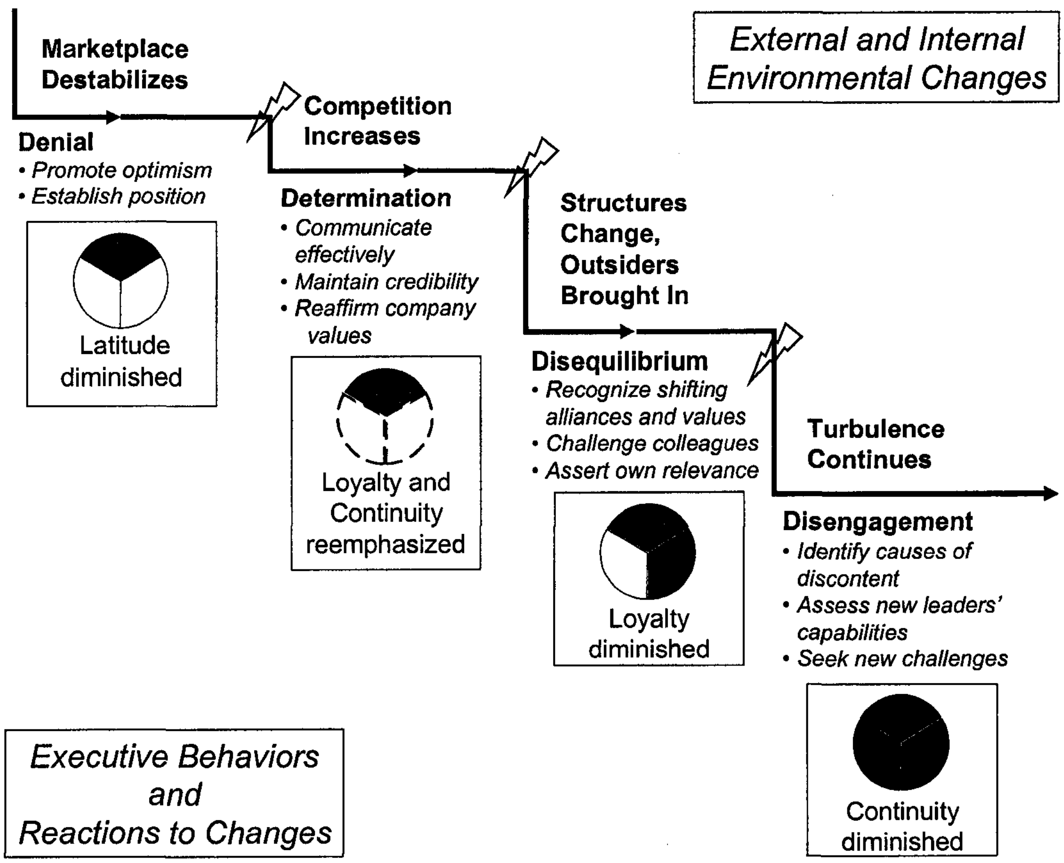


Figure 11. Degeneration of Leadership: Phase 4.

people from the outside. A very balanced process of building the talents of the incumbents and ensuring that their voices are heard is preferable, however, as well as learning from the newcomers.

## Suggestions for Future Research

The focus of this study was on incumbent leaders who had witnessed turbulent changes as the organization went through a corporate transformation. Additional research could focus on several areas: First, on new leaders who are brought in from other companies and are tasked with transforming existing structures, policies, or practices within the company. It would be helpful to know: Were they engaged early on and, ultimately, became disengaged? Was their longevity in the company affected by the level of the engagement/disengagement they experienced?

Second, it would be helpful to focus on those incumbent leaders who stayed within the organization, even if they felt they had been disenfranchised or disempowered. A useful contribution to the literature would be research on questions related to how they were able to maintain credibility, seek commitment from constituents, and stay engaged throughout the years.

Third, there is considerable emphasis on generational differences in organizational literature that shows the value systems and decisions of different generations are quite distant from one another. Because the change literature related to leaders is based on the "Baby Boomer Generation," its relevance could be questioned with respect to other generations. It would be useful to know whether or not there are specific generational aspects related to engagement during turbulent change. For instance, are different behaviors and coping mechanisms observed among a group of younger leaders?

Fourth, the change management competencies that are touted in the literature—including establishing a vision, articulating the vision to the masses, and then executing flawlessly related to the vision—have not been tested widely. However, new CEOs are constantly being supplanted into organizations due to the short-term focus that currently exists in the marketplace. Research on questions related to the execution of a strategy as new CEOs are placed into an organization would be useful. For instance, a researcher could ask: Do the visions and strategies truly get implemented? Or, are they merely accepted and understood at the executive level? In other words, is there such a syndrome as "vision fatigue" in the minds of constituents during turbulence change?

Fifth, the literature addresses leadership effectiveness related to changing power, situations, and required tasks for times when the degree of change is low. What the literature does not address are the elements most important when leaders are tasked with the tedious, difficult, and unglamorous task of reorienting and trying to change the core of the company.

Sixth, the literature addresses transformational leadership styles that are appropriate during corporate upheaval. What it does not address are the important competencies or leadership styles critical for leaders during the early evolution of a new structure or strategy. For instance, what critical competencies are required for new leaders in a company who are called to respond to the complexity of situations during turbulent times?

Seventh, there needs to be more in-depth qualitative research on upper-echelon leaders related to organizational courage. What are the behaviors, motivations, and interpersonal issues among leaders caught in internal debates related to shrinking resources and changing demands?

Finally, the organizational readiness literature on change management is useful when organizations can plan for change and communicate visions and implementation plans effectively. Research related to the salient factors that are necessary to ensure both long- and short-term success needs to be conducted.

## REFERENCES


Abrahamson, E. (2000). Change without pain. *Harvard Business Review, 78*(4), 75-81.

Anyamele, S. C. (2004). *Institutional management in higher education: A study of leadership approaches to quality improvement in university management; Nigerian and Finnish cases*. Helsinki: Helsinki University Press.

Arad, S., Hanson, M. A., & Schneider, R. J. (1997). A framework for the study of relationships between organizational characteristics and organizational innovation. *Journal of Creative Behavior, 31*(1), 42-58.

Argyris, C. (1958). Creating effective relationships in organizations. *Human Organization, 17*, 34-40.

Argyris, C. (1962). *Interpersonal competence and organizational effectiveness*. Homewood, IL: Irwin.

Argyris, C. (1964). *Integrating the individual and the organization*. New York: Wiley.

Argyris, C. (1994). *On organizational learning* (2nd ed.). Oxford, UK: Blackwell Publishers, Ltd.

Avolio, B. J., Bass, B. M., & Jung, D. I. (1999). Reexamining the components of transformational and transactional leadership using the multifactor leadership questionnaire. *Journal of Occupational & Organizational Psychology, 72*(4), 441-462.

Bass, B. M. (1988). *Leadership and performance beyond expectations*. New York: Free Press.

Bass, B. M., & Avolio, B. J. (1990). Potential biases in leadership measures: How prototypes leniency and general satisfaction relate to ratings and rankings of transformational and transactional leadership constructs. *Educational and Psychological Measurement, 49*, 509-527.

Bass, B. M., & Avolio, B. (1993). Transformational leadership and organizational culture. *Public Administration Quarterly, 17*(1), 112-121.

Bass, B. M., & Stogdill, M. (1990). *Handbook of leadership: Theory, research, and managerial applications* (3rd ed.). New York: Free Press.

Bass, B. M., Waldman, D. A., Avolio, B. J., & Bebb, M. (1987). Transformational leadership and the falling domino's effect. *Group and Organizational Studies, 12*, 73-78.

Bennis, W. (1995). *On becoming a leader*. Cambridge, MA: Perseus Publishing Company.

Bennis, W., & Nanus, B. (1985). *Leaders: The strategies for taking charge*. New York: Harper & Row.

Bennis, W. F., & Townsend, R. (1995). *Reinventing leadership: Strategies to empower the organization*. New York: William Morrow.

Bensimon, E., Neumann, A., & Birnbaum, R. (1989). Making sense of administrative leadership: The "L" word in higher education. *ASHE-ERIC Higher Education Report, 1*, 1-121.

Blanchard, K., & Bowles, S. (1990). *Raving fans: A revolutionary approach to customer service*. New York: William Morrow.

Blanchard, K., Edington, D. W., & Blanchard, M. (1990). *The one-minute manager builds high performing teams*. New York: William Morrow.

Blazey, M. L. (2000). *Insights to performance excellence 2000: An inside look at the 2000 Baldrige award criteria*. Milwaukee, WI: Quality Press.

Bogdan, R., & Biklen, S. K. (1992). *Qualitative research for education: An introduction to theory and methods* (2nd ed.). San Francisco: Jossey-Bass.

Bossidy, L., & Charan, R. (2002). *Execution: The discipline of getting things done*. New York: Crown Business Books.

Broh, R. A. (1982). *Managing quality for high profits*. New York: McGraw-Hill.

Brookfield, S. (1993). Breaking the code: Engaging practitioners in critical analysis of adult educational literature. *Studies in the Education of Adults, 25*(1), 64-91.

Brown, M. G. (2000). *Baldrige award winning quality: How to interpret the Baldrige criteria* (10th ed.). Portland, OR: Productivity, Inc.

Bryman, A. (1992). *Charisma & leadership in organizations*. Newbury, CA: Sage.

Burns, A. (1992). *Charisma and leadership*. New York: Harper & Row.

Burns, J. M. (1978). *Leadership* (1st ed.). New York: Harper & Row.

Charmaz, K. (2000). Grounded theory: Objectivist and constructivist methods. In N. K. Denzin & Y. S. Lincoln, (Eds.), *Handbook of qualitative research* (2nd ed., pp. 509-535). Thousand Oaks, CA: Sage.

Chase, S. E. (2003). Taking narrative seriously: Consequences for method and theory in interview studies. In Y. S. Lincoln & N. K. Denzin (Eds.), *Turning points in qualitative research* (pp. 273-296). Walnut Creek, CA: AltaMira Press.

Chowdhury, S. (2001). *The power of six sigma*. Chicago: Dearborn Trade, A Kaplan Professional Company.

Christensen, C. R., Andrews, K. R., Bower, J. L., Hamermesh, R. D., & Porter, M. E. (1982). *Business policy: Text and cases*. Homewood, IL: Irwin.

Clark, K. E., & Clark, M. B. (1996). *Choosing to lead* (2nd ed.). Greensboro, NC: Center for Creative Leadership.

Cohen, L., Manion, L., & Morrison, K. (2000). *Research methods in education*. London: RouteledgeFalmer.

Collins, J. (2001a). Good to great: *Why some companies made the leap and the others don't*. New York: Harper Collins Publishers.

Collins, J. (2001b). Level 5 leadership: The triumph of humility and fierce resolve. *Harvard Business Review, 79*(1), 66-78.

Collins, J., & Porras, J. (1996). *Built to last: Successful habits of visionary companies*. New York: HarperCollins Publishers.

Collins, J. E., & Lazier, W. C. (1992). *Beyond entrepreneurship*. Englewood Cliffs, NJ: Prentice-Hall.

Conger, J. A. (1989). *The charismatic leader: Behind the mystique of exceptional leadership*. San Francisco: Jossey-Bass.

Conner, D. R. (1995). *Managing at the speed of change*. New York: Villard Books.

Conti, T. (1993). *Building total quality: A guide for management*. London: Chapman & Hall.

Creswell, J. W. (1998). *Qualitative inquiry and research design: Choosing among five traditions*. Thousand Oaks, CA: Sage.

Crosby, P. B. (1979). *Quality is free*. New York: McGraw-Hill.

Deming, W. E. (1986). *Out of the crisis: Quality productivity and competitive positioning*. Cambridge, MA: Massachusetts Institute of Technology, Center for Advanced Engineering Study.

Denison, D. R. (1996). What is the difference between organizational culture and organizational climate? A native's point of view on a decade of paradigm wars. *Academy of Management Review, 21*(3), 619-654.

Drucker, P. F. (1969). *Age of discontinuity: Guidelines to our changing society*. New York: Harper & Row.

Drucker, P. F. (1995). *Managing in a time of great change*. New York: Truman Talley Books/Dutton.

Drucker, P. F. (1998). The coming of the new organization. *Harvard Business Review, 66*(1), 45.

Eisner, E. W. (1998). *The enlightened eye: Qualitative inquiry and the enhancement of educational practice*. Upper Saddle River, NJ: Merrill Publishing.

Else, S. E. (2004). *Organization theory and the transformation of large, complex organizations: Donald H. Rumsfeld and the U.S. Department of Defense, 2001-04*. Denver, CO: University of Denver.

Ernst & Young Quality Improvement Consulting Group. (1990). *Total quality: An executive's guide for the 1990s*. Homewood, IL: Dow Jones-Irwin.

Festinger, L. (1957). *A theory of cognitive dissonance*. Stanford, CA: Stanford University Press.

Fiedler, F. E. (1967). *A theory of leadership effectiveness*. New York: McGraw-Hill.

Fiedler, F. E. (1971). *Leadership*. Morristown, NJ: General Learning Press.

Fiedler, F. E., & Chemers, M. M. (1974). *Leadership and effective management*. Glenview, IL: Scott, Foresman & Company.

Fiedler, F. E., & Garcia, J. E. (1987). *New approaches to effective leadership*. New York: John Wiley & Sons.

Finkelstein, S. (2003). *Why smart executives fail and what you can learn from their mistakes*. London: Penguin Books.

Flanagan, J. C. (1949). Critical requirements: A new approach for employee evaluation. *Personnel Psychology, 2*, 419-429.

French, W., Bell, L., & Cecil, H. (1984). *Organization development: Behavioral science interventions for organization improvement* (3rd ed.). Englewood Cliffs, NJ: Prentice-Hall.

Friedman, T. (2005). *The world is flat: A brief history of the 21st century.* New York: Farrar, Strauss, & Giroux.

Garfield, C. (1991). *Second to none: How our smartest companies put people first.* New York: McGraw-Hill.

Glaser, B. G. (1992). *Basics of grounded theory analysis: Emergence vs. forcing.* Mill Valley, CA: Sociology Press.

Glaser, G., & Strauss, A. L. (1967). *The discovery of grounded theory: Strategies for qualitative research.* Chicago: Aldine.

Godfrey, A. B. (1993). The areas for future research in total quality management. *Asia Pacific Journal of Quality Management, 4*(2), 88-92.

Greiner, L. E. (1998). Evolution and revolution as organizations grow. *Harvard Business Review, 76*(3), 55-69.

Hake, B. J. (1999). Lifelong learning in late modernity: The challenges to society, organizations, and individuals. *Adult Education Quarterly, 49*(2), 79-90.

Hall, D. (1996). How useful is the concept of total quality management to the university of the 1990s? *Journal of Further and Higher Education, 20*(2), 20-33.

Hambrick, D. C., Geletkanycz, M. A., & Fredrickson, J. W. (1993). Top executive commitment to the status quo: Some tests of its determinants. *Strategic Management Journal, 14*(6), 401-418.

Hardjono, T. W. M., & Marcel, V. (2001). The social dimensions of business excellence. *Corporate Environmental Strategy, 8*(3), 223-233.

Harmon, G. G., & Jacobs, G. (1985). Company personality: The heart of the matter. *Management Review, 74*(10), 36-41.

Harris, L. C., & Ogbonna, E. (1999). The strategic legacy of company founders. *Long Range Planning, 32*(3), 333-343.

Hatch, M. J. (1993). The dynamics of organizational culture. *The Academy of Management Review, 18*(4), 657-693.

Heil, G., Bennis, W., & Stephens, D. C. (2002). *McGregor revisited: Managing the human side of the enterprise*. New York: Wiley.

Hemphill, T. A. (2004). Corporate citizenship: The case for a new corporate governance model. *Business and Society Review, 109*(3), 339-361.

Hersey, P., Blanchard, K. H., & Johnson, D. E. (1977). *Management of organizational behavior: Utilizing human resources* (7th ed.). Englewood Cliffs, NJ: Prentice-Hall.

Hersey, P., Blanchard, K. H., & Johnson, D. E. (Eds.). (1996). *Management of organizational behavior: Utilizing human resources*. Upper Saddle River, NJ: Prentice-Hall.

Hickson, D. J., Astley, W. G., Butler, R. J., & Wilson, D. C. (1981). Organization as power. *Research in Organizational Behavior, 3*, 151-196.

Hoff, K. S. (1999). Leaders and managers: Essential skills required within higher education. *Higher Education, 38*(3), 311-331.

Hogan, R. (2001). *Personality psychology in the workplace* (1st ed.). Washington, DC: American Psychological Association.

Hollander, E. P., & Webb, W. B. (1955). Leadership, followership and friendship: An analysis of peer nominations. *Journal of Abnormal Social Psychology, 50*(2), 163-167.

Hollender, J. (2004). What matters most: Corporate values and social responsibility. *California Management Review, 46*(4), 111-119.

House, R. J. (1971). A path goal theory of leader effectiveness. *Administrative Science Quarterly, 16*(3), 321-338.

Howard, A., & Bray, D. (1990). Predictions of managerial success over long periods of time: Lessons from the management progress study. In K. E. Clark & B. Mirriam (Eds.), *Measures of leadership* (pp. 113-130). West Orange, NJ: Leadership Library of America, Inc.

Hurst, D., K, Rush, J. C., & White, R. E. (1989). Top management teams and organizational renewal. *Strategic Management Journal, 10*, 87-105.

Jennings, E. E. (1982). The anatomy of leadership. *Management of Personnel Quarterly, 1*(1), 52-76.

Katz, D., & Kahn, R. (1978). *The social psychology of organizations* (2nd ed.). New York: Wiley.

Katzenbach, J. R. (1995). *Real change leaders*. New York: Random House.

Keast, D. A. (1996). Values in the decision making of CEOs in public colleges. *The Canadian Journal of Higher Education, 26*(1), 1-34.

Kelly, Tim (n.d.). In *Inside the customer's space* (1998), unpublished graphic, Root Learning, Perrysburg, OH.

Kent, T., Johnson, J. A., & Graber, D. R. (1996). Leadership in the formation of health care environments. *Health Care Supervision, 15*(2), 27-34.

Kerlinger, F. N. (1973). *Foundations of behavioral research*. London: Holt, Rinehart, & Winston.

Kitchener, K. S., & Brenner, H. G. (1990). Wisdom and reflective judgment: Knowing in the face of uncertainty. In R. J. Sternberg (Ed.), *Wisdom: Its nature, origins and development* (pp. 212-229). Boston: Cambridge University Press.

Knight, D., Pearce, C. L., Smith, K., Olian, J., Sims, H., & Flood, P. (1999). Top management team diversity, group and strategic consensus. *Strategic Management Journal, 20*, 445-465.

Knowles, M. S. (1980). *The modern practice of adult education from pedagogy to andragogy*. New York: Cambridge Adult Education Company.

Koehle, D. (2001). *The role of the performance change management*. New York: American Society of Training and Development.

Kotchian, S. B. (2000). *CEO faith and the corporate environmental performance*. University of New Mexico, Albuquerque, NM.

Kotter, J. P. (1995). *The new rules: How to succeed in today's post-corporate world*. New York: The Free Press.

Kotter, J. P. (1996). *Leading change*. Boston: Harvard Business School Press.

Kotter, J. P. (2002). *The heart of change: Real-life stories of how people change their organizations*. Boston: Harvard Business School Press.

Kotter, J. P., & Heskett, J. L. (1992). *Corporate culture and performance*. New York: The Free Press.

Kouzes, J. M., & Posner, B. Z. (1993). *Credibility*. San Francisco: Jossey-Bass.

Krech, D., Crutchfield, R., & Ballachey, E. (1962). *Individual in society*. New York: McGraw-Hill.

Kroeber, A. L., & Kluckholn, C. (1952). *Culture: A critical review of concepts and definitions*. New York: Vintage Books.

Kuchinke, K. P. (1999). Adult development towards what end? A philosophical analysis of the concept as reflected in the research theory and practice of human resource development. *Adult Education Quarterly, 49*(4), 148-162.

Lawson, E., & Price, C. (2003). The psychology of change management (Special Edition). *McKinsey Quarterly*, 30.

Lewin, K. (1974). Frontiers in group dynamics: Concept, method, and reality in social sciences: Social equilibria and social change. *Human Relations, 1*(1), 5-41.

Lewin, K., Lippitt, R., & White, R. (1960). *Leader behavior and member reactions: Three social climates* (2nd ed.). Evanston, IL: Row, Peterson & Company.

Lewin, K. A. (1935). *A dynamic theory of personality*. New York: McGraw-Hill.

Lieberson, S., & O'Connor, J. F. (1972). Leadership and organizational performance: A study of large corporations. *American Sociological Review, 31*, 117-130.

Lippitt, R., & White, R. K. (1958). An experimental study of leadership and group life. In E. E. Maccoby, T. M. Newcomb, & E. L. Hartley (Eds.), *Readings in social psychology* (pp. 122-126). New York: Holt Publishing Company.

Lombardo, M. M., & Eichinger, R. W. (2005). *The leadership machine*. Minneapolis, MN: Lominger: The Leadership Architects.

Madu, C. N. (1998). Quality management in developing countries. In C. N. Madu (Ed.), *Handbook of total quality management* (pp. 52-70). London: Kluwer Academic Publishers.

Marshall-Miles, J. C. (2000). Development and evaluation of cognitive and metacognitive measures for predicting leadership potential. *Leadership Quarterly, 11*(1), 135-153.

Maxwell, J. A. (1996). *Qualitative research design: An interactive approach*. Thousand Oaks, CA: Sage.

Maykut, P., & Morehouse, R. (1994). *Beginning qualitative research: A philosophic and practical guide*. London: The Palmer Press.

McCall, M. W., Jr. (1997). *High flyers: Developing the next generation of leaders.* Boston: Harvard Business School Press.

McCall, M. W., Jr., & Hollenbeck, G. P. (2002a). *Developing global executives: The lessons of international experience.* Boston: Harvard Business School Press.

McCall, M. W., Jr., & Hollenbeck, G. P. (2002b). Global fatalities: When international executives derail. *Ivey Business Journal, 66*(5), 74-78.

McCall, M. W., Jr., Lombardo, M. M. & Morrison, A. M. (1988). *Lessons of experience: How successful executives develop on the job.* New York: The Free Press.

McCall, M. W., Jr., Mahoney, J. D., & Spreitzer, G. M. (1994, October). *Identifying leadership potential in future international executives.* Paper presented at the International Consortium for Executive Development Research, Lexington, MA.

McClellan, D. C. (2000). Testing for competence rather than for "intelligence." *American Psychologist, 28,* 1-14.

McGregor, D. (1960). *The human side of enterprise.* New York: McGraw-Hill.

McKinsey & Company, Inc. (2001). *The war for talent.* New York: McKinsey & Company.

Meacham, J. (1990). The loss of wisdom. In R. J. Sternberg (Ed.), *Wisdom: Its nature, origins and development* (pp. 181-211). New York: Cambridge University Press.

Merriam, S. B. (1998). *Qualitative research and case study applications in education.* San Francisco: Jossey-Bass.

Miles, R. E., & Snow, C. C. (1978). *Organizational strategy, structure, and process.* New York: McGraw-Hill.

Mitroff, I., & Mason, R. O. (1982). Business policy and metaphysics: Some philosophical considerations. *Academy of Management Review, 7*(3), 361-371.

Mitzberg, H. (1973). *The nature of managerial work.* New York: Harper & Row.

Morgan Stanley Technical Research (n.d.). In *Our converging universe* (1998), unpublished graphic, Root Learning, Perrysburg, OH.

Moss-Kanter, R. (1977). *Men and women of the corporation.* New York: HarperCollins Publishers.

Moss-Kanter, R. (1983). *The change masters: Innovation and entrepreneurship in the American corporation*. New York: Simon & Schuster.

Muczyk, J. P., & Steel, R. P. (1998). Leadership style and the turnaround executive. *Business Horizons, 41*(2), 39-47.

Muhr, T., & Friese, S. (2004). *Users' manual for ATLAS, t.i., 5.0* (2nd ed.). Berlin: Scientific Software Development.

Nadler, D. A., Shaw, R. B., & Walton, A. E. (1995). *Discontinuous change: Leading organizational transformation*. San Francisco: Jossey Bass.

Nadler, D. A., & Tushman, M. L. (1990). Beyond the charismatic leader: Leadership and organizational change. *California Management Review, 32*, 77-97.

Nanus, B. (1992). *Visionary leadership: Creating a compelling sense of direction for your organization* (1st ed.). San Francisco: Jossey-Bass.

Nightingale, P., & O'Neil, M. (1994). *Achieving quality learning in higher education*. London: Kogan Page.

Oakland, J. S. (1989). *Total quality management: The route to improve performance*. Oxford: Butterworth and Heinamann.

Ollila, O. (1995). *Quality improvement through ISO 9000 standards: Can ISO 9000 quality standards improve quality?; A classification of business-to-business companies*. Helsinki: University of Technology.

Peters, T. (1987). *Thriving on chaos: Handbook for a management revolution*. New York: Knopf.

Peters, T., & Austin, N. (1985). *A passion for excellence: The leadership difference*. New York: Random House.

Peters, T., & Waterman, R. (1982). I*n search of excellence*. New York: Harper & Row.

Pfeiffer, J. (1981). Management as symbolic action: The creation and maintenance of organization paradigms. In L. L. Cummings & B. Staw, M. (Eds.), *Research in organizational behavior: An annual series of analytical essays and critical reviews* (vol. 3, pp. 33-51). Greenwich, CT: Aijai Press.

Redmond, A., Tribbett, C., III, & Kasanoff, B. (2004). *Business evolves, leadership endures: Leadership traits that stand the test of time*. Westport, CT: Russell Reynolds Association.

Rogers, R. W., & Smith, A. B. (2005). *Finding future perfect senior leaders: Spotting executive potential*. Pittsburgh, PA: Development Dimensions Associates.

Rothwell, W. J. (2001). *Effective succession planning: Ensuring leadership continuity and building talent from within. New York*: AMACOM.

Sarros, C., Gray, J., & Densten, I. (2002). Leadership and its impact on organizational culture. *International Journal of Business Studies, 10*(2), 1-26.

Schein, E. H. (1961). Behavioral concepts in management. *Industrial Management Review, 2*(2), 59-77.

Schein, E. H. (1965). *Organizational psychology*. Englewood Cliffs, NJ: Prentice-Hall.

Schein, E. H. (1983). The role of the founder in creating organizational cultures. *Organizational Dynamics, 12*(1), 13-28.

Schein, E. H. (1999). *The corporate culture survival guide*. San Francisco: Jossey-Bass.

Schoonover, J. D. (1968). *Leadership characteristics enabling corporate transformation: A case study of DuPont*. Cincinnati, OH: The Union Institute and University.

Schwartz, H., & Davis, S. (1981). Matching corporate culture and business strategy. *Organizational Dynamics, 10*, 30-48.

Securities Data Company (n.d.). In *Our converging universe* (1998), unpublished graphic, Root Learning, Perrysburg, OH.

Senge, P. M. (1990). *The fifth discipline: The art and practice of the learning organization*. New York: Doubleday/Currency.

Senge, P. M. (1994). *The fifth discipline fieldbook: Strategies and tools for building a learning organization*. New York: Doubleday/Currency.

Shrivastava, P., & Grant, J. H. (1985). Empirically derived models of strategic decision-making processes. *Strategic Management Journal, 6*, 97-113.

Shrivastava, P., & Nachman, S. A. (1989). Strategic leadership patterns. *Strategic Management Journal, 10*, 51-66.

Simon, H. A. (1999). Strategy and organizational evolution. *Strategic Management Journal, 14*, 131-142.

Smircich, L., & Morgan, G. (1982). Leadership: The management of meaning. *The Journal of Applied Behavioral Science, 18*(3), 257-273.

Stake, R. E. (2000). Case studies. In N. K. Denzin & Y. S. Lincoln, (Eds.), *Handbook of qualitative research* (2nd ed., pp. 435-454). Thousand Oaks, CA: Sage.

Sternberg, R. J. (1985). Implicit theories of intelligence, creativity and wisdom. *Journal of Personality and Social Psychology, 49*(3), 607-627.

Sternberg, R. J. (1998). A balance theory of wisdom. *Review of General Psychology, 2*(4), 347-365.

Sternberg, R. J. (2001). What is the common thread of creativity?: Its dialectical relation to intelligence and wisdom. *American Psychologist, 56*(4), 360-362.

Sternberg, R. J., Forwhythe, G. B., Hedlund, J., Horvath, J. A., Wagner, R. K., Williams, W. M., et al. (2000). *Practical intelligence in everyday life.* Cambridge, MA: Cambridge University Press.

Stogdill, R. (1948). Personal factors associated with leadership: A survey of the literature. *Journal of Psychology, 25*, 35-71.

Sullivan, G. R., & Harper, M. V. (1997). *Hope is not a method.* New York: Broadway Books.

Swanson, A. R. (1997). *Research handbook: Linking research and practice.* San Francisco: Berrett-Koehler Publishers.

Tichy, N., & Devanna, M. (1986). *The transformational leader.* New York: Wiley.

Tichy, N. M., & Devanna, M. A. (1990). *The transformational leader* (2nd ed.). New York: Wiley.

Tierney, W. (1992). Discourse. *Liberal Education, 78*(5), 16-21.

Trice, H. M., & Beyer, J. M. (1990). Charisma and its routinization in two social movement organizations. *Research in Organizational Behavior, 8*, 113-164.

Valencia, M. A. (2004). *University presidential leadership behaviors during institutional transformation 1971-1982.* Unpublished doctoral dissertation. Northern Arizona University, Flagstaff, AZ.

Walker, R. (1985). *Applied qualitative research.* Brookfield, VT: Gower.

Weick, K. E. (2000). The attitude of wisdom: Ambivalence as the optimal compromise. In R. J. Sternberg (Ed.), *Practical intelligence in everyday life* (pp. 40-52). Cambridge, UK: Cambridge University Press.

Welch, J. (2001). *Jack: Straight from the gut.* New York: Warner Books.

Whyte, W. F., & Hamilton, E. L. (1996). *Action research for management.* Homewood, IL: Irwin.

World Bank, The (n.d.). In *Our converging universe* (1998), unpublished graphic, Root Learning, Perrysburg, OH.

Yin, R. K. (2003a). *Applications of case study research* (2nd ed., vol. 34). Thousand Oaks, CA: Sage.

Yin, R. K. (2003b). *Case study research: design and methods* (3rd ed., vol. 5). Thousand Oaks, CA: Sage.

Zadek, S. (2004). The path to corporate responsibility. *Harvard Business Review, 82*(12), 125-132.

# APPENDIX A

# INTERVIEW PROTOCOL

1. Across your leadership career, how did things change?
2. How would you characterize your organization's culture prior to the changes? Probe: How is it different today? What did the organization expect from your leadership?
3. What was happening in the trenches? Probe: What were executives doing then that they are not expected to do now?
4. Was there a time when a significant corporate transformation occurred?
5. What were some of the difficult decisions you had to make?
6. Were there some tough conversations you had to have with other executives or with your staff? Probe: How did you get others to rally around you?
7. What were the leadership characteristics of the senior leaders that most significantly impacted the transformation?
8. How did you develop and change to face the challenges in the organization? Probe: Were you a different leader before the transformation than you were later?
9. How would you define change leadership? Probe: What role did change leadership play in your actions?
10. Complete the sentence, "If I had to do one thing differently, I would . . . ."

# APPENDIX B

## PSEUDONYMS FOR NAMES AND ROLES

## OF PEOPLE DISCUSSED IN THE CASE

| Fictitious Name | Role of Leader in Story |
|---|---|
| Bob | VP of Human Resources |
| Brian | Chief Executive Officer |
| Dennis | Chief Operating Officer |
| George | The Founder |
| Jeremy | VP of Mergers and Acquisitions |
| John | An early contender for the CEO role |
| Malcolm | A leader in technology and research |
| Melissa | VP of Sales |
| Mike | VP of Global HR Region |
| Terry | VP of Finance |
| Zenglo | VP of Talent Management |

APPENDIX C

IMPLICIT THEORIES ABOUT CHANGE LEADERSHIP

BASED ON INTERVIEWS

| Category | Definition | Subject |
|---|---|---|
| Verbal ability required | The question I would ask is, "Are you taking charge of change, or is change taking charge of you?: You must anticipate what's coming. You must have the courage to speak up and ask the hard questions. That is change leadership, versus just waiting back for someone to be way off on a business decision before you challenge them. You need to say, "What if this happens? Where would we be at? What could we do differently?" | Terry |
| Adaptive process required | Change leadership can be at a macro level, like creating your company in a new country, or at a micro level, like developing a new program. It requires change leaders to figure their own quality standards. They need to learn to either have a brilliant idea for change—it doesn't matter if it is their own or somebody else's—but they become really early adopters of that idea. They see the wisdom of the idea and they try to make it happen, even though the rest of the world is saying "it's too hard," and "it's too difficult," "it takes away from too many other things," "let's not do that." | Mike |
| Change is a mandate | Change leadership is to help people get to a place that they wouldn't get to on their own. I think that is kind of part of it. I also think you have to develop your own style around that, and you have to accept the fact that staying the same is unacceptable—that's death. The longer you stay the same, it's only a matter of time before you start withering away, and so accept it—embrace change—and then figure out the way that works best for you and don't hope that problems go away. They won't. | Bob |
| Change is a mindset | To me it means having a vision and creating a language that excites people to get there. And you can give them hope as well as stretch them to getting there. And to me, that was always in the back of my mind. | Zenglo |

(continued on following page)

Appendix C (continued)

| Category | Definition | Subject |
|---|---|---|
| Change requires social competence | Change management is very tricky. It requires an enormous amount of skill in the front end of determining what you want to do, and it requires a phenomenal amount of communications ability to communicate not only what you want to do, but the rationale, and to get people involved in the whole thing. | Malcolm |
| Change requires a specific approach | To me, change leadership is taking your organization willingly to some place they've never been before. Willingly, as opposed to having them kicking and screaming. That means they say, "We trust you, but we're going to do this, even though it's scary, but we're going to go do something we've never done before." And the caveat that I would add to that is, because we know it's important to the company, so you help them understand the context of the change. | Jeremy |
| Change requires identifying your own style | You must remain consistent, but you must also change with life's experiences, and adapt your style. Being a better listener and helping people to understand that the whole world is changing, and that you want to help them understand it, while at the same time, you want to show them that you understand them. | Melissa |

APPENDIX D

NON-NEGOTIABLES TO DECISIONS

WHEN IMPLEMENTING CHANGE IMPERATIVES

| Category | Considerations |
|---|---|
| Time Perspective | • Short-term wins versus long-term investments<br>• Investments requiring "cooking time" versus investments that can be measured in the shorter term<br>• Investments that leverage company brand versus investments that leverage departmental brands |
| Company Orientation | • Egalitarian versus individualized considerations<br>• Valuing unique talent versus valuing widespread participation<br>• Family member focus versus business focus<br>• Domestic focus versus global focus<br>• Market focus versus technology focus<br>• Shareholder value versus customer value<br>• Employees valued versus shareholders valued |
| Decision-making Approaches | • Level of risk versus level of stability<br>• Collaborative decision making versus hierarchical decision making<br>• Collective needs met versus specialized needs met |